

HENRY COUNTY, OHIO

***BASIC
FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED
DECEMBER 31, 2004***

HONORABLE IDA BOSTELMAN, AUDITOR



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of Henry County prepared by Julian & Grube, Inc., for the audit period January 1, 2004 through December 31, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 22, 2005

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HENRY COUNTY

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JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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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, 2004, which collectively comprise the County’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County’s management. Our responsibility is to express opinions on these financial statements based on our audit.

We 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.

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, 2004, 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 June 23, 2005 on our consideration of the County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Commissioners
Henry County Auditor
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The 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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted 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.



Julian & Grube, Inc.
June 23, 2005

HENRY COUNTY, OHIO

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

The management's discussion and analysis of Henry County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- The total net assets of the County increased \$2,128,582. Net assets of governmental activities increased \$2,079,613, which represents a 4.77% increase over fiscal year 2003. Net assets of business-type activities increased \$48,969 or 8.71% from fiscal year 2003.
- General revenues accounted for \$14,524,579 or 53.66% of total governmental activities revenue. Program specific revenues accounted for \$12,545,101 or 46.34% of total governmental activities revenue.
- The County had \$24,859,571 in expenses related to governmental activities; \$12,545,101 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) \$14,524,579 were not 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 \$6,711,468 in 2004, a decrease of \$164,911 or 2.39% from 2003 revenues. The general fund had expenditures of \$6,203,151 in 2004, an increase of \$187,645 or 3.12% from 2003. The decrease in revenues and increase in expenditures contributed to the general fund balance decrease of \$236,270 from 2003 to 2004.
- The Country View Haven, a County major fund, had revenues of \$1,325,236 in 2004. The Country View Haven had expenditures of \$1,380,929 in 2004. The Country View Haven fund balance decreased \$55,693 from 2003 to 2004.
- The Motor Vehicle and Gas Tax fund, a County major fund, had revenues of \$3,991,063 in 2004. The Motor Vehicle and Gas Tax fund had expenditures of \$3,937,597 in 2004. The Motor Vehicle and Gas Tax fund balance increased \$53,466 from 2003 to 2004.
- The County Board of MRDD fund, a County major fund, had revenues of \$6,616,285 in 2004. The County Board of MRDD fund had expenditures of \$6,461,339 in 2004. The County Board of MRDD fund balance increased \$154,946 from 2003 to 2004.
- The Courthouse project fund, a County major fund, had revenues of \$1,116,667 in 2004. The Courthouse project fund had expenditures of \$4,313,932 in 2004. The Courthouse project fund had proceeds from notes of \$3,580,000 in 2004. The Courthouse project fund balance decreased \$617,265 from 2003 to 2004.
- Net assets for the business-type activities, which include the Sanitary Landfill, Tower, Hahn Center and Monroe Township Landfill Fees enterprise funds, increased in 2004 by \$48,969 or 8.71%.
- In the general fund, the actual revenues came in \$580,319 higher than they were originally budgeted and actual expenditures were \$1,610,451 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, 2004 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 2004?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The County's statement of net assets and statement of activities can be found on pages 13-15 of this report.

Reporting the County's Most Significant Funds

Fund Financial Statements

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

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 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 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 30-64 of this report.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 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 2004 and 2003.

	Net Assets					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2004 Total	2003 Total
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>		
<u>Assets</u>						
Current and other assets	\$ 25,794,510	\$ 1,687,691	\$ 26,571,703	\$ 1,643,367	\$ 27,482,201	\$ 28,215,070
Capital assets	<u>36,752,712</u>	<u>488,555</u>	<u>35,166,522</u>	<u>506,067</u>	<u>37,241,267</u>	<u>35,672,589</u>
Total assets	<u>62,547,222</u>	<u>2,176,246</u>	<u>61,738,225</u>	<u>2,149,434</u>	<u>64,723,468</u>	<u>63,887,659</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	8,886,921	2,025,059	8,404,645	1,840,861	10,911,980	10,245,506
Other liabilities	<u>8,017,703</u>	<u>664,367</u>	<u>9,770,595</u>	<u>870,722</u>	<u>8,682,070</u>	<u>10,641,317</u>
Total liabilities	<u>16,904,624</u>	<u>2,689,426</u>	<u>18,175,240</u>	<u>2,711,583</u>	<u>19,594,050</u>	<u>20,886,823</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	33,362,874	-	28,202,857	-	33,362,874	28,202,857
Restricted	13,023,712	-	12,141,824	-	13,023,712	12,141,824
Unrestricted	<u>(743,988)</u>	<u>(513,180)</u>	<u>3,218,304</u>	<u>(562,149)</u>	<u>(1,257,168)</u>	<u>2,656,155</u>
Total net assets	<u>\$ 45,642,598</u>	<u>\$ (513,180)</u>	<u>\$ 43,562,985</u>	<u>\$ (562,149)</u>	<u>\$ 45,129,418</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, 2004, the County's assets exceeded liabilities by \$45,129,418. This amounts to \$45,642,598 in governmental activities and a deficit of \$513,180 in business-type activities. The County's finances remained strong during 2004, 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 57.54% 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, 2004, were \$33,362,874. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. Capital assets are discussed further on page 11.

As of December 31, 2004, the County is able to report positive balances in only two categories of net assets, for its governmental activities.

A portion of the County's net assets, \$13,023,712 or 28.86%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental-activities unrestricted net assets is a deficit of \$743,988.

HENRY COUNTY, OHIO

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

The table below shows the changes in net assets for governmental activities and business-type activities for 2004 and 2003.

	Change in Net Assets					
	Governmental	Business-type	Governmental	Business-type	2004	2003
	Activities	Activities	Activities	Activities	Total	Total
	2004	2004	2003	2003		
Revenues						
Program revenues:						
Charges for services and sales	\$ 3,949,378	\$ 1,078,134	\$ 4,308,209	\$ 1,093,466	\$ 5,027,512	\$ 5,401,675
Operating grants and contributions	8,595,723	-	8,977,384	-	8,595,723	8,977,384
Capital grants and contributions	-	-	185,941	-	-	185,941
Total program revenues	<u>12,545,101</u>	<u>1,078,134</u>	<u>13,471,534</u>	<u>1,093,466</u>	<u>13,623,235</u>	<u>14,565,000</u>
General revenues:						
Property taxes	5,974,834	-	6,602,328	-	5,974,834	6,602,328
Sales tax	4,959,405	-	2,877,357	-	4,959,405	2,877,357
Special assessments	105,976	-	245,489	-	105,976	245,489
Unrestricted grants	1,446,394	-	1,585,579	-	1,446,394	1,585,579
Investment earnings	404,066	20,590	369,580	16,917	424,656	386,497
Other	1,633,904	28,373	966,229	17,942	1,662,277	984,171
Total general revenues	<u>14,524,579</u>	<u>48,963</u>	<u>12,646,562</u>	<u>34,859</u>	<u>14,573,542</u>	<u>12,681,421</u>
Total revenues	<u>27,069,680</u>	<u>1,127,097</u>	<u>26,118,096</u>	<u>1,128,325</u>	<u>28,196,777</u>	<u>27,246,421</u>
Expenses						
Program Expenses:						
General government	4,639,704	-	3,600,067	-	4,639,704	3,600,067
Public safety	2,367,287	-	2,228,945	-	2,367,287	2,228,945
Public works	3,569,097	-	3,883,308	-	3,569,097	3,883,308
Health	1,734,475	-	1,631,236	-	1,734,475	1,631,236
Human services	10,937,683	-	11,198,977	-	10,937,683	11,198,977
Economic development	622,278	-	465,380	-	622,278	465,380
Transportation	30,363	-	-	-	30,363	-
Other	756,863	-	1,241,370	-	756,863	1,241,370
Interest and fiscal charges	201,821	-	269,424	-	201,821	269,424
Sanitary landfill	-	1,148,278	-	844,327	1,148,278	844,327
Tower fund	-	-	-	76,862	-	76,862
Hahn Center	-	52,664	-	170,484	52,664	170,484
Monroe Township Landfill Fees	-	7,682	-	7,125	7,682	7,125
Total expenses	<u>24,859,571</u>	<u>1,208,624</u>	<u>24,518,707</u>	<u>1,098,798</u>	<u>26,068,195</u>	<u>25,617,505</u>
Change in net assets before transfers	2,210,109	(81,527)	1,599,389	29,527	2,128,582	1,628,916
Transfers	(130,496)	130,496	(156,800)	156,800	-	-
Change in net assets	2,079,613	48,969	1,442,589	186,327	2,128,582	1,628,916
Net assets at beginning of year	<u>43,562,985</u>	<u>(562,149)</u>	<u>42,120,396</u>	<u>(748,476)</u>	<u>43,000,836</u>	<u>41,371,920</u>
Net assets at end of year	<u>\$ 45,642,598</u>	<u>\$ (513,180)</u>	<u>\$ 43,562,985</u>	<u>\$ (562,149)</u>	<u>\$ 45,129,418</u>	<u>\$ 43,000,836</u>

HENRY COUNTY, OHIO

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

Governmental Activities

Governmental assets increased by \$2,079,613 in 2004 from 2003. This increase is due to increasing revenues, a slight decrease in expenditures and a decrease in transfers to business-type funds in 2004 compared to 2003.

Human services, which supports the operations of the Country View Haven and County Board of MRDD, accounts for \$10,937,683 of expenses, or 43.40% of total governmental expenses of the County. These expenses were funded by \$734,527 in charges to users of services and \$5,994,589 in operating grants in 2004. General government expenses which includes legislative and executive and judicial programs, totaled \$4,639,704 or 18.66% of total governmental expenses. General government expenses were covered by \$1,551,254 of direct charges to users in 2004.

The state and federal government contributed to the County revenues of \$8,595,723 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$5,994,589, or 74.55%, subsidized human services programs.

General revenues totaled \$14,524,579, and amounted to 53.66% of total revenues. These revenues primarily consist of property and sales tax revenue of \$10,834,239 or 74.59% of total general revenues in 2004. The other primary source of general revenues is grants and entitlements not restricted to specific programs of \$1,446,394, with local government and local government revenue assistance making up \$902,404, or 62.39% 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 and 2004.

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 2004 compared to 2003. 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>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program Expenses:				
General government	\$ 4,639,704	\$ 2,968,450	\$ 3,600,067	\$ 1,589,017
Public safety	2,367,287	1,983,028	2,228,945	1,798,180
Public works	3,569,097	1,347,075	3,883,308	478,989
Health	1,734,475	1,091,564	1,631,236	1,026,140
Human services	10,937,683	4,208,567	11,198,977	4,549,952
Economic development and assistance	622,278	(167,799)	465,380	383,926
Transportation	30,363	30,363	-	-
Other	756,863	655,001	1,241,370	1,241,370
Interest and fiscal charges	<u>201,821</u>	<u>198,221</u>	<u>269,424</u>	<u>(20,401)</u>
Total	<u>\$ 24,859,571</u>	<u>\$ 12,314,470</u>	<u>\$ 24,518,707</u>	<u>\$ 11,047,173</u>

The dependence upon general revenues for governmental activities is apparent, with 50.46% of expenses supported through taxes and other general revenues during 2004.

HENRY COUNTY, OHIO

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

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 \$1,127,097, expenses of \$1,208,624 and transfers in of \$130,496 for fiscal year 2004. The business-type activities net assets increased \$48,969 during fiscal year 2004.

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 \$14,138,063, which is \$253,075 over last year's total of \$13,884,988. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2004 for all major and nonmajor governmental funds.

	<u>Fund Balance</u> <u>December 31, 2004</u>	<u>Fund Balance</u> <u>December 31, 2003</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 2,397,520	\$ 2,633,790	\$ (236,270)
Country View Haven Fund	2,080,743	2,136,436	(55,693)
Motor Vehicle and Gas Tax	1,092,681	1,039,215	53,466
County Board of MRDD	1,352,300	1,197,354	154,946
Courthouse Project	406,951	1,024,216	(617,265)
Other Nonmajor Governmental Funds	<u>6,807,868</u>	<u>5,853,977</u>	<u>953,891</u>
Total	<u>\$ 14,138,063</u>	<u>\$ 13,884,988</u>	<u>\$ 253,075</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 \$2,397,520, a 8.97% decrease from 2003. The decrease of the general fund balance in 2004 was primarily due to a decrease in revenues of 2.39% in 2004 compared to 2003 and a increase in expenditures of 2.48% in 2004 compared to 2003. In addition, the general fund made \$744,587 in transfers to other funds.

Country View Haven Fund

The Country View Haven fund, a County major fund, had revenues of \$1,325,236 in 2004. The Country View Haven fund had expenditures of \$1,380,929 in 2004. The Country View Haven fund balance decreased \$55,693 or 2.61% from 2003 to 2004.

HENRY COUNTY, OHIO

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

Motor Vehicle and Gas Tax Fund

The Motor Vehicle and Gas Tax fund, a County major fund, had revenues of \$3,991,063 in 2004. The Motor Vehicle and Gas Tax fund had expenditures of \$3,937,597 in 2004. The Motor Vehicle and Gas Tax fund balance increased \$53,466 or 5.14% from 2003 to 2004.

County Board of Mental Retardation and Developmental Disabled (MRDD)

The County Board of MRDD fund, a County major fund, had revenues of \$6,616,285 in 2004. The County Board of MRDD fund had expenditures of \$6,461,339 in 2004. The County Board of MRDD fund balance increased \$154,946 or 12.94% from 2003 to 2004. This increase is due to increase tax and intergovernmental revenues.

Courthouse Project Fund

The Courthouse project fund, a County major fund, had revenues of \$116,667 in 2004. The Courthouse project fund had expenditures of \$4,313,932 in 2004. The Courthouse project fund had proceeds from notes of \$3,580,000 in 2004. The Courthouse project fund balance decreased \$617,265 or 60.17% from 2003 to 2004. This decrease is due to increased expenditures wrapping up the courthouse project at Oakmeadows.

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, motor vehicle and gas tax and County Board of MRDD. In the general fund, there were no significant changes between the original and final budget. Actual revenues of \$6,823,287 were more than final budgeted revenues by \$434 or 0.01%. The difference between the final budget and actual expenditures was a \$1,013,066 or 12.22% 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 were the same as final budgeted revenues and actual expenditures of \$1,440,077 were less than final budgeted expenditures by \$143,024. In the Motor Vehicle and Gas Tax fund, actual revenues of \$3,846,226 were the same as final budgeted revenues and actual expenditures of \$4,011,443 were less than final budgeted expenditures by \$393,682. In the County Board of MRDD fund, actual revenues of \$6,670,259 the same as final budgeted revenues and actual expenditures of \$6,805,257 were less than final budgeted expenditures by \$370,256.

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 internal balances due to governmental 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:

HENRY COUNTY, OHIO

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

Sanitary Landfill Fund

The Sanitary Landfill fund, a major proprietary fund, had operating revenues of \$1,017,367 in 2004, an increase of \$5,782 or 0.57% from 2003 revenues. The Sanitary Landfill fund had operating expenses of \$1,142,647 in 2004, an increase of \$314,684 or 38.01% from 2003. The increase in operating expenses, and the slight increase in revenues, contributed to the Sanitary Landfill fund balance decrease of \$79,825 from 2003 to 2004.

Capital Assets and Debt Administration

Capital Assets

At the end of 2004, the County had \$37,241,267 (net of accumulated depreciation) invested in land, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. Of this total, \$36,752,712 was reported in governmental activities and \$488,555 was reported in business-type activities. The following table shows fiscal 2004 balances compared to 2003:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 1,732,289	\$ 1,732,289	\$ 277,435	\$ 277,435	\$ 2,009,724	\$ 2,009,724
Building and improvements	13,391,778	11,822,721	17,939	19,434	13,409,717	11,842,155
Equipment	497,771	541,637	36,041	39,005	533,812	580,642
Vehicles	2,222,255	2,296,793	157,140	170,193	2,379,395	2,466,986
Infrastructure	18,554,128	17,965,676	-	-	18,554,128	17,965,676
Construction in progress	<u>354,491</u>	<u>807,406</u>	<u>-</u>	<u>-</u>	<u>354,491</u>	<u>807,406</u>
Total	<u>\$ 36,752,712</u>	<u>\$ 35,166,522</u>	<u>\$ 488,555</u>	<u>\$ 506,067</u>	<u>\$ 37,241,267</u>	<u>\$ 35,672,589</u>

The overall increase in capital assets is due to the completion of building improvements to the courthouse project and MRDD. In the governmental activities, capital asset additions of \$3,649,231 exceeded depreciation expense of \$1,933,338.

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

Debt Administration

At December 31, 2004 the County had \$11,546,980 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 \$5,849,615 is due within one year and \$5,697,365 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, 2004 UNAUDITED

Outstanding Debt, at Year End

	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	Total <u>2004</u>
Long-Term Obligations			
General obligation bonds	\$ 516,000	\$ -	\$ 516,000
Special assessment bonds	272,363	-	272,363
Revenue bonds	1,971,000	-	1,971,000
OWDA loans	609,178	-	609,178
Ridgeville Turn Lane	300,000	-	300,000
Mortgage loan	89,324	-	89,324
Capital lease	21,288	-	21,288
Notes payable	3,635,000	635,000	4,270,000
Estimated liability for landfill closure/post closure	-	2,011,515	2,011,515
Compensated absences payable	<u>1,472,768</u>	<u>13,544</u>	<u>1,486,312</u>
Total	<u>\$ 8,886,921</u>	<u>\$ 2,660,059</u>	<u>\$ 11,546,980</u>

At December 31, 2004 the County's overall legal debt margin was \$13,065,016 with an unvoted debt margin of \$6,433,366. 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 2005.

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 2005. Budgeted revenues and other financing sources in the general fund for fiscal year 2005 is \$6,822,853. 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 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, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 11,287,322	\$ 470,422	\$ 11,757,744
Cash in segregated accounts	24,415	-	24,415
Investments	290,000	-	290,000
Receivables (net of allowances for uncollectibles):			
Sales taxes	568,453	-	568,453
Property taxes	7,319,334	-	7,319,334
Accounts	157,186	1,688	158,874
Due from other governments	4,089,551	-	4,089,551
Special assessments	482,211	-	482,211
Accrued interest	63,086	4,013	67,099
Loans receivable	1,322,095	-	1,322,095
Prepayments	49,787	-	49,787
Materials and supplies inventory	141,070	114	141,184
Restricted Assets: Cash & cash equivalents	-	1,211,454	1,211,454
Capital assets:			
Land and construction-in-progress	2,086,780	277,435	2,364,215
Depreciable capital assets, net	34,665,932	211,120	34,877,052
Total capital assets, net	36,752,712	488,555	37,241,267
Total assets	62,547,222	2,176,246	64,723,468
Liabilities:			
Accounts payable	544,863	15,355	560,218
Accrued wages and benefits	269,337	3,929	273,266
Pension obligation payable	118,058	1,748	119,806
Due to other governments	1,104	-	1,104
Deferred revenue	6,948,793	-	6,948,793
Deposits held and due to others	24,172	-	24,172
Amounts to be repaid to claimants	20,905	-	20,905
Accrued interest payable	90,471	8,335	98,806
Notes payable	-	635,000	635,000
Long-term liabilities:			
Due within one year	5,208,673	5,942	5,214,615
Due in more than one year	3,678,248	2,019,117	5,697,365
Total liabilities	16,904,624	2,689,426	19,594,050
Net assets:			
Invested in capital assets, net of related debt	29,427,883	488,555	29,916,438
Restricted for:			
Capital projects	935,340	-	935,340
Debt service	2,307,612	-	2,307,612
Public works projects	2,161,768	-	2,161,768
Human services programs	2,179,617	-	2,179,617
Health programs	2,241,355	-	2,241,355
Other purposes	3,198,020	-	3,198,020
Unrestricted (deficit)	3,191,003	(1,001,735)	2,189,268
Total net assets	\$ 45,642,598	\$ (513,180)	\$ 45,129,418

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Revenues		
Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:			
General government:			
Legislative and executive	\$ 3,696,146	\$ 1,194,939	\$ 120,000
Judicial	943,558	359,915	-
Public safety	2,367,287	180,908	203,351
Public works	3,569,097	922,221	1,299,801
Health	1,734,475	556,817	86,094
Human services	10,937,683	734,527	5,994,589
Economic development and assistance	622,278	-	790,077
Transportation	30,363	-	-
Other	756,863	51	101,811
Interest and fiscal charges	201,821	-	-
Total governmental activities	24,859,571	3,949,378	8,595,723
Business-Type Activities:			
Sanitary Landfill	1,148,278	999,236	-
Nonmajor:			
Tower Fund	-	32,661	-
Hahn Center	52,664	38,377	-
Monroe Township Landfill Fees	7,682	7,860	-
Total business-type activities	1,208,624	1,078,134	-
Total primary government	\$ 26,068,195	\$ 5,027,512	\$ 8,595,723

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 . . . . .	. . . . .
 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
\$ (2,381,207)	\$ -	\$ (2,381,207)
(583,643)	-	(583,643)
(1,983,028)	-	(1,983,028)
(1,347,075)	-	(1,347,075)
(1,091,564)	-	(1,091,564)
(4,208,567)	-	(4,208,567)
167,799	-	167,799
(30,363)	-	(30,363)
(655,001)	-	(655,001)
(201,821)	-	(201,821)
<u>(12,314,470)</u>	<u>-</u>	<u>(12,314,470)</u>
-	(149,042)	(149,042)
-	32,661	32,661
-	(14,287)	(14,287)
<u>-</u>	<u>178</u>	<u>178</u>
-	(130,490)	(130,490)
<u>(12,314,470)</u>	<u>(130,490)</u>	<u>(12,444,960)</u>
1,488,612	-	1,488,612
3,134,689	-	3,134,689
763,069	-	763,069
588,464	-	588,464
4,959,405	-	4,959,405
105,976	-	105,976
1,446,394	-	1,446,394
404,066	20,590	424,656
1,633,904	28,373	1,662,277
14,524,579	48,963	14,573,542
<u>(130,496)</u>	<u>130,496</u>	<u>-</u>
2,079,613	48,969	2,128,582
<u>43,562,985</u>	<u>(562,149)</u>	<u>43,000,836</u>
<u>\$ 45,642,598</u>	<u>\$ (513,180)</u>	<u>\$ 45,129,418</u>

HENRY COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,895,868	\$ 2,114,459	\$ 571,117
Cash in segregated accounts.	-	243	-
Investments	-	-	-
Receivables (net of allowance for uncollectibles):			
Sales taxes	568,453	-	-
Property taxes.	2,068,047	896,810	-
Accounts	12,037	-	13,200
Special assessments	-	-	-
Due from other funds	190	-	-
Due from other governments	426,058	43,374	1,895,372
Accrued interest	53,914	-	1,870
Loans receivable	-	-	-
Prepayments.	21,646	-	-
Materials and supplies inventory	36,117	-	82,747
Total assets.	<u>\$ 5,082,330</u>	<u>\$ 3,054,886</u>	<u>\$ 2,564,306</u>
Liabilities:			
Accounts payable	\$ 1,474	\$ -	\$ 122,165
Accrued wages and benefits.	83,404	23,768	29,290
Due to other funds	-	-	190
Due to other governments.	-	-	1,045
Pension obligation.	35,802	10,191	12,898
Deposits held and due to others.	-	-	-
Deferred revenue	2,543,225	940,184	1,306,037
Amount to be repaid to claimants	20,905	-	-
Total liabilities	<u>2,684,810</u>	<u>974,143</u>	<u>1,471,625</u>
Fund Balances:			
Reserved for encumbrances.	119,559	15,058	-
Reserved for prepayments.	21,646	-	-
Reserved for materials and supplies inventory	36,117	-	82,747
Reserved for loans	-	-	-
Reserve for claimants	20,905	-	-
Unreserved, undesignated, reported in:			
General fund	2,199,293	-	-
Special revenue funds	-	2,065,685	1,009,934
Debt service fund.	-	-	-
Capital projects funds	-	-	-
Total fund balances	<u>2,397,520</u>	<u>2,080,743</u>	<u>1,092,681</u>
Total liabilities and fund balances.	<u>\$ 5,082,330</u>	<u>\$ 3,054,886</u>	<u>\$ 2,564,306</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>
\$ 1,282,649	\$ 406,951	\$ 5,016,278	\$ 11,287,322
283	-	23,889	24,415
-	-	290,000	290,000
-	-	-	568,453
3,665,119	-	689,358	7,319,334
57,270	-	74,679	157,186
-	-	482,211	482,211
-	-	-	190
1,311,126	-	413,621	4,089,551
-	-	7,302	63,086
-	-	1,322,095	1,322,095
25,955	-	2,186	49,787
12,172	-	10,034	141,070
<u>\$ 6,354,574</u>	<u>\$ 406,951</u>	<u>\$ 8,331,653</u>	<u>\$ 25,794,700</u>
\$ 421,216	\$ -	\$ 8	\$ 544,863
80,328	-	52,547	269,337
-	-	-	190
-	-	59	1,104
39,023	-	20,144	118,058
283	-	23,889	24,172
4,461,424	-	1,427,138	10,678,008
-	-	-	20,905
<u>5,002,274</u>	<u>-</u>	<u>1,523,785</u>	<u>11,656,637</u>
3,311	100,068	59,622	297,618
25,955	-	2,186	49,787
12,172	-	10,034	141,070
-	-	1,322,095	1,322,095
-	-	-	20,905
-	-	-	2,199,293
1,310,862	-	3,038,417	7,424,898
-	-	2,002,587	2,002,587
-	306,883	372,927	679,810
<u>1,352,300</u>	<u>406,951</u>	<u>6,807,868</u>	<u>14,138,063</u>
<u>\$ 6,354,574</u>	<u>\$ 406,951</u>	<u>\$ 8,331,653</u>	<u>\$ 25,794,700</u>

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HENRY COUNTY, OHIO

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

Total governmental fund balances		\$ 14,138,063
<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.		36,752,712
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Special assessments	\$ 482,211	
Sales tax	568,453	
Intergovernmental revenues	2,637,329	
Interest revenue	41,222	
	<hr/>	
Total		3,729,215
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	(516,000)	
Special assessment bonds	(272,363)	
OWDA loan payable	(609,178)	
Revenue bonds payable	(1,971,000)	
Mortgage loan payable	(89,324)	
Notes payable	(3,935,000)	
Compensated absences	(1,472,768)	
Capital leases payable	(21,288)	
Accrued interest payable	(90,471)	
	<hr/>	
Total		<u>(8,977,392)</u>
Net assets of governmental activities		<u>\$ 45,642,598</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of MRDD</u>
Revenues:				
Sales taxes	\$ 2,426,379	\$ -	\$ 2,214,304	\$ -
Property taxes	1,749,269	763,069	-	3,134,689
Charges for services	842,855	440,171	867,091	298,231
Licenses and permits	2,427	-	-	-
Fines and forfeitures	76,144	-	55,130	-
Intergovernmental	950,274	81,132	714,740	3,080,281
Special assessments	-	-	-	-
Investment income	306,784	-	11,894	-
Rental income	-	30,518	-	-
Reimbursements	126,561	-	-	-
Other	230,775	10,346	127,904	103,084
Total revenues	<u>6,711,468</u>	<u>1,325,236</u>	<u>3,991,063</u>	<u>6,616,285</u>
Expenditures:				
Current:				
General government:				
Legislative and executive.	2,261,598	-	-	-
Judicial	821,064	-	-	-
Public safety	2,008,501	-	-	-
Public works.	223,197	-	3,937,597	-
Health	18,325	1,380,929	-	-
Human services	276,790	-	-	6,447,269
Economic development and assistance.	973	-	-	-
Transportation	-	-	-	-
Other	579,188	-	-	-
Capital outlay	13,515	-	-	-
Debt service:				
Principal retirement	-	-	-	10,551
Interest and fiscal charges	-	-	-	3,519
Total expenditures	<u>6,203,151</u>	<u>1,380,929</u>	<u>3,937,597</u>	<u>6,461,339</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>508,317</u>	<u>(55,693)</u>	<u>53,466</u>	<u>154,946</u>
Other financing sources (uses):				
Note issuance	-	-	-	-
Loan issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(744,587)	-	-	-
Total other financing sources (uses)	<u>(744,587)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances.	(236,270)	(55,693)	53,466	154,946
Fund balances at beginning of year	<u>2,633,790</u>	<u>2,136,436</u>	<u>1,039,215</u>	<u>1,197,354</u>
Fund balances at end of year	<u>\$ 2,397,520</u>	<u>\$ 2,080,743</u>	<u>\$ 1,092,681</u>	<u>\$ 1,352,300</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Courthouse Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 4,640,683
-	588,464	6,235,491
110,000	1,023,367	3,581,715
-	-	2,427
-	54,916	186,190
-	4,865,379	9,691,806
-	219,975	219,975
-	75,085	393,763
-	301,365	331,883
-	-	126,561
6,667	466,599	945,375
<u>116,667</u>	<u>7,595,150</u>	<u>26,355,869</u>
-	542,546	2,804,144
-	110,441	931,505
-	299,923	2,308,424
-	352,595	4,513,389
-	270,097	1,669,351
-	3,993,708	10,717,767
-	621,305	622,278
-	30,363	30,363
-	165,378	744,566
1,482,899	278,755	1,775,169
2,800,000	773,406	3,583,957
31,033	176,082	210,634
<u>4,313,932</u>	<u>7,614,599</u>	<u>29,911,547</u>
<u>(4,197,265)</u>	<u>(19,449)</u>	<u>(3,555,678)</u>
3,580,000	355,000	3,935,000
-	4,249	4,249
-	714,745	714,745
-	(100,654)	(845,241)
<u>3,580,000</u>	<u>973,340</u>	<u>3,808,753</u>
(617,265)	953,891	253,075
1,024,216	5,853,977	13,884,988
<u>\$ 406,951</u>	<u>\$ 6,807,868</u>	<u>\$ 14,138,063</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, 2004

Net change in fund balances - total governmental funds	\$ 253,075
<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 (\$3,649,231) exceeded depreciation expense (\$1,933,338) in the current period.	1,715,893
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.	(129,703)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	713,811
Proceeds of notes and loans are other financing sources in the governmental funds, however these activities increase long-term liabilities on the statement of net assets.	(3,939,249)
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.	3,583,957
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.	8,813
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>(126,984)</u>
Change in net assets of governmental activities	<u><u>\$ 2,079,613</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, 2004

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Sales taxes.	\$2,000,000	\$2,408,681	\$2,408,681	\$ -
Property and other taxes.	1,808,850	1,894,351	1,894,351	-
Charges for services.	847,100	836,228	836,228	-
Licenses and permits	1,830	2,427	2,427	-
Fines and forfeitures	70,000	78,262	78,262	-
Intergovernmental.	800,600	937,320	937,320	-
Investment income	350,000	300,182	300,182	-
Other	1,942	2,756	3,190	434
Total revenues.	<u>5,880,322</u>	<u>6,460,207</u>	<u>6,460,641</u>	<u>434</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	3,068,203	3,086,486	2,344,217	742,269
Judicial.	1,136,245	1,143,016	868,132	274,884
Public safety	2,719,152	2,735,354	2,077,529	657,825
Public works	315,008	316,885	240,677	76,208
Health	38,277	38,505	29,245	9,260
Human services	394,602	397,546	301,940	95,606
Other	549,686	552,962	419,980	132,982
Capital outlay.	18,032	18,139	13,777	4,362
Total expenditures.	<u>8,239,205</u>	<u>8,288,893</u>	<u>6,295,497</u>	<u>1,993,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,358,883)</u>	<u>(1,828,686)</u>	<u>165,144</u>	<u>1,993,830</u>
Other financing sources (uses):				
Transfers out	-	-	(980,330)	(980,330)
Advances in	9,000	8,500	8,500	-
Other financing sources	376,972	354,146	354,146	-
Total other financing sources (uses)	<u>385,972</u>	<u>362,646</u>	<u>(617,684)</u>	<u>(980,330)</u>
Net change in fund balance.	(1,972,911)	(1,466,040)	(452,540)	1,013,500
Fund balance at beginning of year	2,092,882	2,092,882	2,092,882	-
Prior year encumbrances appropriated	<u>47,632</u>	<u>47,632</u>	<u>47,632</u>	<u>-</u>
Fund balance at end of year	<u>\$ 167,603</u>	<u>\$ 674,474</u>	<u>\$ 1,687,974</u>	<u>\$ 1,013,500</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, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 834,347	\$ 823,575	\$ 823,575	\$ -
Charges for services	390,000	440,171	440,171	-
Intergovernmental	75,000	81,132	81,132	-
Rental income	34,392	30,518	30,518	-
Other	10,500	10,349	10,349	-
Total revenues	<u>1,344,239</u>	<u>1,385,745</u>	<u>1,385,745</u>	<u>-</u>
Expenditures:				
Current:				
Health	<u>1,526,101</u>	<u>1,583,101</u>	<u>1,440,077</u>	<u>143,024</u>
Total expenditures	<u>1,526,101</u>	<u>1,583,101</u>	<u>1,440,077</u>	<u>143,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(181,862)</u>	<u>(197,356)</u>	<u>(54,332)</u>	<u>143,024</u>
Net change in fund balance.	(181,862)	(197,356)	(54,332)	143,024
Fund balance at beginning of year	2,098,534	2,098,534	2,098,354	(180)
Prior year encumbrances appropriated	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 1,933,672</u>	<u>\$ 1,918,178</u>	<u>\$ 2,061,022</u>	<u>\$ 142,844</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, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales taxes	\$ 2,445,000	\$ 2,214,304	\$ 2,214,304	\$ -
Charges for services	804,000	867,091	867,091	-
Fines and forfeitures	54,000	55,130	55,130	-
Intergovernmental	545,000	571,860	571,860	-
Investment income.	12,000	10,800	10,800	-
Other	425,000	127,041	127,041	-
Total revenues	<u>4,285,000</u>	<u>3,846,226</u>	<u>3,846,226</u>	<u>-</u>
Expenditures:				
Current:				
Public works.	4,330,000	4,405,125	4,011,443	393,682
Total expenditures	<u>4,330,000</u>	<u>4,405,125</u>	<u>4,011,443</u>	<u>393,682</u>
Net change in fund balance.	(45,000)	(558,899)	(165,217)	393,682
Fund balance at beginning of year	537,999	537,999	537,999	-
Prior year encumbrances appropriated	<u>75,125</u>	<u>75,125</u>	<u>75,125</u>	<u>-</u>
Fund balance at end of year	<u>\$ 568,124</u>	<u>\$ 54,225</u>	<u>\$ 447,907</u>	<u>\$ 393,682</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, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 3,500,000	\$ 3,365,819	\$ 3,365,819	\$ -
Charges for services	872,500	1,227,889	1,227,889	-
Intergovernmental	1,765,000	1,946,607	1,946,607	-
Other	37,500	129,944	129,944	-
Total revenues	<u>6,175,000</u>	<u>6,670,259</u>	<u>6,670,259</u>	<u>-</u>
Expenditures:				
Current:				
Human services	<u>6,529,775</u>	<u>6,959,775</u>	<u>6,805,257</u>	<u>154,518</u>
Total expenditures	<u>6,529,775</u>	<u>6,959,775</u>	<u>6,805,257</u>	<u>154,518</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(354,775)</u>	<u>(289,516)</u>	<u>(134,998)</u>	<u>154,518</u>
Other financing uses:				
Transfer out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Total other financing uses	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balance.	(384,775)	(319,516)	(164,998)	154,518
Fund balance at beginning of year	1,276,027	1,276,027	1,276,027	-
Prior year encumbrances appropriated	<u>11,269</u>	<u>11,269</u>	<u>11,269</u>	<u>-</u>
Fund balance at end of year	<u>\$ 902,521</u>	<u>\$ 967,780</u>	<u>\$ 1,122,298</u>	<u>\$ 154,518</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2004

	Business-Type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents.	\$ 337,023	\$ 133,399	\$ 470,422
Receivables (net of allowance for uncollectibles):			
Accounts	1,646	42	1,688
Accrued interest	4,013	-	4,013
Restricted assets:			
Equity in pooled cash and cash equivalents	1,211,454	-	1,211,454
Materials and supplies inventory	114	-	114
Total current assets	1,554,250	133,441	1,687,691
Noncurrent assets:			
Capital assets:			
Land	277,435	-	277,435
Depreciable capital assets, net	211,120	-	211,120
Total capital assets, net	488,555	-	488,555
Total noncurrent assets	488,555	-	488,555
Total assets	2,042,805	133,441	2,176,246
Liabilities:			
Current liabilities:			
Accounts payable.	15,355	-	15,355
Compensated absences payable.	5,942	-	5,942
Accrued wages and benefits	3,929	-	3,929
Due to other governments	1,748	-	1,748
Accrued interest payable	6,694	1,641	8,335
Notes payable	510,000	125,000	635,000
Total current liabilities	543,668	126,641	670,309
Long-term liabilities:			
Compensated absences.	7,602	-	7,602
Estimated accrued liability for landfill closure and post closure costs	2,011,515	-	2,011,515
Total long-term liabilities	2,019,117	-	2,019,117
Total liabilities	2,562,785	126,641	2,689,426
Net assets:			
Invested in capital assets, net of related debt	488,555	-	488,555
Unrestricted (deficit)	(1,008,535)	6,800	(1,001,735)
Total net assets (deficit)	\$ (519,980)	\$ 6,800	\$ (513,180)

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, 2004

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Operating revenues:			
Charges for services	\$ 999,236	\$ 78,898	\$ 1,078,134
Other	18,131	-	18,131
Total operating revenues	<u>1,017,367</u>	<u>78,898</u>	<u>1,096,265</u>
Operating expenses:			
Personal services	181,885	-	181,885
Contract services	51,731	6,619	58,350
Materials and supplies	483,968	9,126	493,094
Depreciation	27,512	-	27,512
Landfill closure and postclosure care costs	183,791	-	183,791
Utilities	4,143	33,504	37,647
Other	209,617	11,094	220,711
Total operating expenses.	<u>1,142,647</u>	<u>60,343</u>	<u>1,202,990</u>
Operating income (loss)	<u>(125,280)</u>	<u>18,555</u>	<u>(106,725)</u>
Nonoperating revenues (expenses):			
Interest revenue	20,590	-	20,590
Intergovernmental	-	10,242	10,242
Interest expense and fiscal charges	(5,631)	(3)	(5,634)
Total nonoperating revenues (expenses)	<u>14,959</u>	<u>10,239</u>	<u>25,198</u>
Income (loss) before transfers	(110,321)	28,794	(81,527)
Transfers in.	<u>30,496</u>	<u>100,000</u>	<u>130,496</u>
Change in net assets	(79,825)	128,794	48,969
Net assets (deficit) at beginning of year	<u>(440,155)</u>	<u>(121,994)</u>	<u>(562,149)</u>
Net assets (deficit) at end of year.	<u>\$ (519,980)</u>	<u>\$ 6,800</u>	<u>\$ (513,180)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sanitary Landfill</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sales/service charges	\$ 1,083,368	\$ 73,135	\$ 1,156,503
Cash received from other operating revenue	20,339	-	20,339
Cash payments for personal services	(179,553)	-	(179,553)
Cash payments for contract services.	(51,731)	(6,619)	(58,350)
Cash payments for materials and supplies.	(483,960)	(9,126)	(493,086)
Cash payments for utilities	(4,143)	(33,504)	(37,647)
Cash payments for other expenses	(231,600)	(45,918)	(277,518)
Net cash provided by (used in) operating activities. . .	<u>152,720</u>	<u>(22,032)</u>	<u>130,688</u>
Cash flows from noncapital financing activities:			
Other nonoperating revenues	-	10,242	10,242
Transfers in from other funds.	30,496	100,000	130,496
Net cash provided by noncapital financing activities. . .	<u>30,496</u>	<u>110,242</u>	<u>140,738</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets.	(10,000)	-	(10,000)
Principal retirement on notes	(545,000)	(225,000)	(770,000)
Proceeds of notes	510,000	125,000	635,000
Interest and fiscal charges.	(11,517)	(4,869)	(16,386)
Net cash used in capital and related financing activities	<u>(56,517)</u>	<u>(104,869)</u>	<u>(161,386)</u>
Cash flows from investing activities:			
Interest received	18,056	-	18,056
Net cash provided by investing activities	<u>18,056</u>	<u>-</u>	<u>18,056</u>
Net increase (decrease) in cash and cash equivalents	144,755	(16,659)	128,096
Cash and cash equivalents at beginning of year	<u>1,403,722</u>	<u>150,058</u>	<u>1,553,780</u>
Cash and cash equivalents at end of year.	<u>\$ 1,548,477</u>	<u>\$ 133,399</u>	<u>\$ 1,681,876</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (125,280)	\$ 18,555	\$ (106,725)
Adjustments:			
Depreciation.	27,512	-	27,512
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable.	86,340	(42)	86,298
Decrease in materials and supplies inventory	8	-	8
Decrease in accounts payable	(18,112)	(39,854)	(57,966)
Increase in accrued wages and benefits	2,106	-	2,106
Decrease in due to other governments.	(4,052)	(691)	(4,743)
Increase in landfill closure and postclosure care liability .	183,791	-	183,791
Increase in compensated absences payable	407	-	407
Net cash provided by (used in) operating activities	<u>\$ 152,720</u>	<u>\$ (22,032)</u>	<u>\$ 130,688</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 DECEMBER 31, 2004

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,048,015
Cash in segregated accounts	198,601
Receivables:	
Real estate and other taxes.	22,055,303
Due from other governments	441,115
Special assessments	<u>434,628</u>
Total assets	<u>\$ 27,177,662</u>
 Liabilities:	
Due to other governments.	\$ 1,615,704
Deposits held and due to others	<u>25,561,958</u>
Total liabilities	<u>\$ 27,177,662</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

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

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 2004, the County paid administrative fees of \$2,045 and per capita charges of \$120,046 to MVPO.

HENRY COUNTY, OHIO

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

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

Fulton-Henry Counties Council - The County is a member of the Fulton-Henry Counties Council (the "Council") which is a jointly governed organization between Fulton and Henry Counties. The Council was formed under Ohio Revised Code Section 167.04 as a regional council of governments. The purpose of the Council is to foster cooperation among the two member counties in all areas of services. Total expenditures made by the County to the Council in 2004 were \$1,339,880. 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 2004 were \$826,349. 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 2004 were \$610,661. 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, 2004

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, 2004, the County remitted \$893,513 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 2004 were \$186,133. 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, 2004

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, 2004

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.

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.

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.

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, 2004

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, 2004, but which were levied to finance 2005 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, 2004

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 2004.

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 the final amounts approved by the County Commissioners during 2004.

HENRY COUNTY, OHIO

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

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 other than cash in segregated accounts 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 2004, 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 2004 amounted to \$306,784 which includes \$260,475 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, 2004

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. The County maintains a capitalization threshold of \$5,000. The County's infrastructure consists of roads, bridges and culverts. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets 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 2004, 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, 2004, 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, 2004, 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, 2004

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, 2004, 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, 2004

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, loans receivable and claimants as reservations of fund balance in the governmental fund financial statements. Reservation for claimants is established because by law, unclaimed monies are not available for appropriation until five years have lapsed.

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, 2004

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. Deficit Fund Balances/Net Assets

	<u>Deficit</u>
<u>Major Business-Type Fund</u>	
Sanitary Landfill	\$ 519,980
<u>Nonmajor Governmental Funds</u>	
Department of Youth Services	534
<u>Nonmajor Business-Type Funds</u>	
Hahn Center	114,618

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.

B. Non-Compliance

The following funds had appropriations in excess of estimated resources for the year ended December 31, 2004, in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess</u>
Nonmajor Funds		
Special Revenue	Child Service	\$ 193,121
Special Revenue	Family First Council	25,149
Special Revenue	Litter	500
Special Revenue	Operations 911	14,191
Special Revenue	Dys	4,768
Special Revenue	Solid Waste	395
Special Revenue	Recorder	2,755
Special Revenue	Block Grants	102,602
Special Revenue	WIA	270,624
Capital Projects	Issue II	42,276
Enterprise	HCA	66,140
Enterprise	Landfill	4,483
Expendable Trust	MR/DD Capital Project	39,918

HENRY COUNTY, OHIO

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

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 Asset Reserve of Ohio Investment Pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in 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.

HENRY COUNTY, OHIO

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or 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 \$7,002 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."

Restricted Assets: The County had \$1,211,454 in restricted assets associated with the County landfill. This amount has been reported in "deposits" below.

Cash in Segregated Accounts: The County had \$24,415 in cash in segregated accounts of which is included in the "deposit" amount reported below.

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

Deposits: At year-end, the carrying amount of the County's deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$16,523,227 and the bank balance, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$17,322,213. Of the bank balance:

1. \$513,123 was covered by federal deposit insurance; and
2. \$16,809,090 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.

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

HENRY COUNTY, OHIO

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

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

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/ <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 17,240,229	\$ 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	<u>(7,002)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 16,523,227</u>	<u>\$ 1,000,000</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	\$ 614,587
Nonmajor governmental funds	<u>100,158</u>
Total Transfers to Nonmajor Governmental Funds	<u>714,745</u>
Transfers to Landfill fund from:	
General fund	30,000
Nonmajor governmental funds	<u>496</u>
Total Transfers to Landfill Fund	<u>30,496</u>
Transfers to nonmajor enterprise funds from:	
General fund	<u>100,000</u>
Total transfers	<u>\$ 845,241</u>

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

HENRY COUNTY, OHIO

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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, 2004, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	MVGT	<u>\$ 190</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.

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.

The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property

Agricultural	\$ 81,699,940
Residential	293,659,320
Commercial/Industrial/Mineral	50,445,600
Tangible personal property	87,738,871

Public Utility

Real	539,560
Personal	<u>28,026,720</u>
Total assessed value	<u>\$ 542,110,011</u>

The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2004, was \$13.40 per \$1,000 of assessed valuation. The full 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.

HENRY COUNTY, OHIO

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

NOTE 6 - PROPERTY TAXES - (Continued)

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 2004 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 2005 are shown as 2004 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.

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 2004 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 2004 amounted to \$4,640,683 as reported on the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2004, consisted of taxes, accrued interest, loans, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the financial statements and all interfund transactions related to charges for goods and services rendered have been classified as "Due From Other Funds" on the financial statements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

HENRY COUNTY, OHIO

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

NOTE 8 - RECEIVABLES - (Continued)

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	\$ 568,453
Real and other taxes	7,319,334
Accounts	157,186
Due from other governments	4,089,551
Special assessments	482,211
Accrued interest	63,086
Loans receivable	1,322,095
 <u>Business-Type Activities:</u>	
Accounts	1,688
Accrued interest	4,013

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).

NOTE 9 - LOANS RECEIVABLE

The County maintains a revolving loan program for local businesses to encourage business development in the County. A summary of the County's loan activity for 2004 is as follows:

	<u>Balance at</u> <u>12/31/03</u>	<u>Issued</u>	<u>Received</u>	<u>Balance at</u> <u>12/31/04</u>
Revolving Loans	<u>\$ 1,584,974</u>	<u>\$ 280,000</u>	<u>\$ (542,879)</u>	<u>\$ 1,322,095</u>

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.

HENRY COUNTY, OHIO

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

NOTE 10 - CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended December 31, 2004, was as follows:

Governmental Activities:	<u>Balance</u> <u>12/31/03</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/04</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,732,289	\$ -	\$ -	\$ 1,732,289
Construction in progress	<u>807,406</u>	<u>354,491</u>	<u>(807,406)</u>	<u>354,491</u>
Total capital assets, not being depreciated	<u>2,539,695</u>	<u>354,491</u>	<u>(807,406)</u>	<u>2,086,780</u>
<i>Capital assets, being depreciated:</i>				
Building and improvements	21,803,211	2,246,249	(8,344)	24,041,116
Machinery and equipment	1,245,236	56,046	(36,208)	1,265,074
Vehicles	4,212,842	298,252	(313,896)	4,197,198
Infrastructure	<u>26,711,800</u>	<u>1,501,599</u>	<u>-</u>	<u>28,213,399</u>
Total capital assets, being depreciated	<u>53,973,089</u>	<u>4,102,146</u>	<u>(358,448)</u>	<u>57,716,787</u>
<i>Less: accumulated depreciation:</i>				
Building and improvements	(9,980,490)	(677,192)	8,344	(10,649,338)
Machinery and equipment	(703,599)	(88,059)	24,355	(767,303)
Vehicles	(1,916,049)	(254,940)	196,046	(1,974,943)
Infrastructure	<u>(8,746,124)</u>	<u>(913,147)</u>	<u>-</u>	<u>(9,659,271)</u>
Total accumulated depreciation	<u>(21,346,262)</u>	<u>(1,933,338)</u>	<u>228,745</u>	<u>(23,050,855)</u>
Total capital assets being depreciated, net	<u>32,626,827</u>	<u>2,168,808</u>	<u>(129,703)</u>	<u>34,665,932</u>
Governmental activities capital assets, net	<u>\$ 35,166,522</u>	<u>\$ 2,523,299</u>	<u>\$ (937,109)</u>	<u>\$ 36,752,712</u>

HENRY COUNTY, OHIO

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

NOTE 10 - CAPITAL ASSETS - (Continued)

<u>Business-Type Activities:</u>	<u>Balance</u> <u>12/31/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/04</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>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>777,799</u>	<u>10,000</u>	<u>-</u>	<u>787,799</u>
Total capital assets, being depreciated	<u>904,727</u>	<u>10,000</u>	<u>-</u>	<u>914,727</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(55,311)	(1,495)	-	(56,806)
Machinery and equipment	(13,178)	(2,964)	-	(16,142)
Vehicles	<u>(607,606)</u>	<u>(23,053)</u>	<u>-</u>	<u>(630,659)</u>
Total accumulated depreciation	<u>(676,095)</u>	<u>(27,512)</u>	<u>-</u>	<u>(703,607)</u>
Total capital assets, being depreciated net	<u>228,632</u>	<u>(17,512)</u>	<u>-</u>	<u>211,120</u>
Business-type activities capital assets, net	<u>\$ 506,067</u>	<u>\$ (17,512)</u>	<u>\$ -</u>	<u>\$ 488,555</u>

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

Governmental activities:

Legislative and executive	\$ 572,639
Judicial	17,075
Public safety	84,264
Public works	1,048,826
Health	52,974
Human services	142,405
Other	<u>15,155</u>
Total depreciation expense - governmental activities	<u>\$ 1,933,338</u>

HENRY COUNTY, OHIO

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

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

During a prior year, 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 2004 totaled \$4,679 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, 2004.

<u>Year Ending December 31,</u>	<u>County Board of MRDD</u>
2005	\$ 6,348
2006	6,348
2007	6,348
2008	<u>5,290</u>
Total future minimum lease payments	24,334
Less: amount representing interest	<u>(3,046)</u>
Present value of net minimum lease payments	<u>\$ 21,288</u>

HENRY COUNTY, OHIO

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

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 historical cost 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>	
2005	\$ 290,550
2006	289,950
2007	289,900
2008	289,350
2009	288,800
Thereafter	<u>1,043,600</u>
Total minimum future lease payments	<u>\$ 2,492,150</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, 2004, vested benefits for vacation leave for governmental activities employees totaled \$537,759 and vested benefits for sick leave totaled \$194,768. 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 \$5,942. 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 \$740,241 for governmental activities employees and \$7,602 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, 2004

NOTE 14 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During the fiscal year 2004, the following changes occurred in the County's governmental long-term obligations:

	Original Amount <u>Issued</u>	Balance at <u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/04</u>	Amount Due in <u>One Year</u>
<u>General Obligation Bonds:</u>						
1996 - 5.25% general obligation bond	\$ 4,000,000	\$ 955,000	\$ -	\$ (465,000)	\$ 490,000	\$ 490,000
2003 - 5% Grelton waterline bond	<u>27,000</u>	<u>27,000</u>	<u>-</u>	<u>(1,000)</u>	<u>26,000</u>	<u>1,000</u>
Total general obligation bonds	<u>4,027,000</u>	<u>982,000</u>	<u>-</u>	<u>(466,000)</u>	<u>516,000</u>	<u>491,000</u>
<u>OWDA Loans:</u>						
1990 - 2% Texas Waterline Project	291,706	139,919	-	(12,111)	127,808	12,353
2002 - 3% Silgan Can Waterline	398,038	398,038	-	-	398,038	-
2002 - 5.64% Water and Sewer District	<u>13,116</u>	<u>79,083</u>	<u>4,249</u>	<u>-</u>	<u>83,332</u>	<u>-</u>
Total OWDA loans	<u>702,860</u>	<u>617,040</u>	<u>4,249</u>	<u>(12,111)</u>	<u>609,178</u>	<u>12,353</u>
<u>Special Assessment Bonds with Governmental Commitment:</u>						
1995 - 6.15% to 9.9%	345,000	125,000	-	(20,000)	105,000	20,000
1998 - 4.75%	<u>211,925</u>	<u>175,658</u>	<u>-</u>	<u>(8,295)</u>	<u>167,363</u>	<u>9,554</u>
Total special assessment bonds	<u>556,925</u>	<u>300,658</u>	<u>-</u>	<u>(28,295)</u>	<u>272,363</u>	<u>29,554</u>
<u>Revenue Bonds:</u>						
1989 - 5% Hospital Addition	375,000	264,000	-	(11,000)	253,000	12,000
1992 - 5% Hospital Improvement	<u>4,025,000</u>	<u>1,889,000</u>	<u>-</u>	<u>(171,000)</u>	<u>1,718,000</u>	<u>180,000</u>
Total revenue bonds	<u>4,400,000</u>	<u>2,153,000</u>	<u>-</u>	<u>(182,000)</u>	<u>1,971,000</u>	<u>192,000</u>

HENRY COUNTY, OHIO

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

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

	Original Amount <u>Issued</u>	Balance at <u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/04</u>	Amount Due in <u>One Year</u>
<u>Notes Payable:</u>						
Courthouse Project	\$ 2,800,000	\$ 2,800,000	\$ -	\$ (2,800,000)	\$ -	\$ -
Courthouse Project	3,580,000	-	3,580,000	-	3,580,000	3,580,000
Certificate of Title Building	85,000	85,000	-	(85,000)	-	-
Certificate of Title Building	55,000	-	55,000	-	55,000	55,000
Ridgeville Turn Lane	300,000	-	300,000	-	300,000	300,000
Total revenue bonds	<u>6,820,000</u>	<u>2,885,000</u>	<u>3,935,000</u>	<u>(2,885,000)</u>	<u>3,935,000</u>	<u>3,935,000</u>
<u>Other Obligations:</u>						
Compensated absences	N/A	1,345,784	588,425	(461,441)	1,472,768	537,759
Mortgage Loan - 2%	100,000	95,196	-	(5,872)	89,324	5,990
Capital lease obligation	26,716	25,967	-	(4,679)	21,288	5,017
Total other obligations	<u>126,716</u>	<u>1,466,947</u>	<u>588,425</u>	<u>(471,992)</u>	<u>1,583,380</u>	<u>548,766</u>
Total governmental activities long-term obligations	<u>\$ 16,733,501</u>	<u>\$ 8,404,645</u>	<u>\$ 4,527,674</u>	<u>\$ (4,045,398)</u>	<u>\$ 8,886,921</u>	<u>\$ 5,208,673</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. Principal and interest are being paid from the Grelton Waterline Extension debt service fund.

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 project was not completed during 2004, 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, 2004

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 2003, the County issued \$85,000 in notes at 2.9% which have been retired during 2004, and reissued at 2.9% in the amount of \$55,000. 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
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	2,000	92	2,092	26,554	8,646	35,200
2010-2014	10,000	333	10,333	68,250	24,318	92,568
2015-2019	10,000	125	10,125	59,343	6,835	66,178
Total	<u>\$ 516,000</u>	<u>\$ 27,173</u>	<u>\$ 543,173</u>	<u>\$ 272,363</u>	<u>\$ 86,259</u>	<u>\$ 358,622</u>

HENRY COUNTY, OHIO

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

NOTE 14 - LONG TERM OBLIGATIONS - (Continued)

Year Ended	OWDA Loans			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	172,504	12,059	184,563	221,000	68,350	289,350
2009	91,733	9,498	101,231	234,000	57,350	291,350
2010-2014	269,946	12,946	282,892	806,000	112,750	918,750
2015-2019	-	-	-	106,000	16,300	122,300
Total	<u>\$ 609,178</u>	<u>\$ 47,396</u>	<u>\$ 656,574</u>	<u>\$ 1,971,000</u>	<u>\$ 521,150</u>	<u>\$ 2,492,150</u>

Year Ended	Mortgage Loan		
	Principal	Interest	Total
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	6,489	1,233	7,722
2010-2014	34,463	4,247	38,710
2015-2018	<u>23,676</u>	<u>777</u>	<u>24,453</u>
Total	<u>\$ 89,324</u>	<u>\$ 12,449</u>	<u>\$ 101,773</u>

B. Business-Type Long-Term Obligations

During fiscal year 2004, the following changes occurred in the County's business-type long-term obligations:

	Balance <u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/04</u>	Amounts Due in <u>One Year</u>
Landfill closure and postclosure care liability	\$ 1,827,724	\$ 183,791	\$ -	\$ 2,011,515	\$ -
Compensated absences	<u>13,137</u>	<u>407</u>	<u>-</u>	<u>13,544</u>	<u>5,942</u>
Total business-type long-term obligations	<u>\$ 1,840,861</u>	<u>\$ 184,198</u>	<u>\$ -</u>	<u>\$ 2,025,059</u>	<u>\$ 5,942</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 \$13,065,016 as of December 31, 2004.

HENRY COUNTY, OHIO

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

NOTE 15 - NOTES PAYABLE

The County had the following bond anticipation notes outstanding at December 31, 2004:

	<u>Issue</u>	<u>Balance at</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u>
	<u>Date</u>	<u>12/31/03</u>	<u>12/31/03</u>	<u>12/31/04</u>	<u>12/31/04</u>
General Obligation Bond					
Anticipation Notes:					
<u>Enterprise Funds</u>					
County Facilities - 2.90%	03/28/03	\$ 225,000	\$ -	\$ (225,000)	\$ -
County Facilities - 1.75%	03/26/04	-	125,000	-	125,000
Landfill Improvement - 2.90%	03/28/03	545,000	-	(545,000)	-
Landfill Improvement - 1.75%	03/26/04	-	510,000	-	510,000
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total enterprise funds-bond anticipation notes		<u>\$ 770,000</u>	<u>\$ 635,000</u>	<u>\$ (770,000)</u>	<u>\$ 635,000</u>

General Obligation Bond Anticipation Notes - During 2004, the County repaid \$770,000 in general obligation notes in the enterprise funds and received \$635,000 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, 2004

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 2004, 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, 2004

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, 2004

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the year ended December 31, 2004, 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 2004 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7% 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, 2004, 2003, and 2002 were \$1,390,310, \$914,140, and \$810,688, respectively; 92.89% has been contributed for 2004 and 100% has been contributed for 2003 and 2002. The unpaid contribution to fund pension obligations for 2004, in the amount of \$98,848, is recorded as a liability.

B. State Teachers Retirement System

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

HENRY COUNTY, OHIO

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

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the year ended December 31, 2004, plan members were required to contribute 10 percent of their annual covered salary and the County was required to contribute 14 percent; 9.09 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The County's required contribution for pension obligations for the DBP for the years ended December 31, 2004, 2003, and 2002 was \$143,985, \$85,250, and \$79,521, respectively; 100 percent has been contributed for fiscal years 2004, 2003 and 2002. There were no contributions for the DCP and CP for the fiscal year ended December 30, 2004.

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 2004 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% 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, 2003, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% 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 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$640,437. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

HENRY COUNTY, OHIO

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

NOTE 18 - POSTEMPLOYMENT BENEFITS - (Continued)

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.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. State Teachers Retirement System

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the STRS based on authority granted by State statute. STRS is funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount was \$11,076.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million, and STRS had 111,853 eligible benefit recipients.

HENRY COUNTY, OHIO

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

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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).

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	\$ (452,540)	\$ (54,332)	\$ (165,217)	\$ (164,998)
Net adjustment for revenue accruals	250,827	(60,509)	144,837	(53,974)
Net adjustment for expenditure accruals	(27,213)	44,090	(49,364)	340,607
Net adjustment for other financing sources/(uses) accruals	(126,903)	-	-	30,000
Encumbrances (budget basis)	<u>119,559</u>	<u>15,058</u>	<u>123,210</u>	<u>3,311</u>
GAAP basis	<u>\$ (236,270)</u>	<u>\$ (55,693)</u>	<u>\$ 53,466</u>	<u>\$ 154,946</u>

HENRY COUNTY, OHIO

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

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.

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 2004 was \$143,276.

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, 2004, health care facility revenue bonds outstanding aggregated \$2,781,800.

HENRY COUNTY, OHIO

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

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 \$2,011,515 as of December 31, 2004, which is based on 77.07% usage (filled) of the landfill. It is estimated that an additional \$598,523 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 \$2,610,038 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, 2004, cash and cash equivalents of \$1,211,454 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.

NOTE 24 - SIGNIFICANT SUBSEQUENT EVENTS

On March 23, 2005, the County reissued the Certificate of Title Building notes by retiring \$55,000 and reissuing \$50,000 at 3.25%.

On March 23, 2005, the County reissued the Courthouse Project at Oakmeadows notes by retiring \$3,735,000 and reissuing \$3,735,000 at 3.25%.

On March 23, 2005, the County reissued the Ridgeville Turn Lane notes by retiring \$300,000 and reissuing \$150,000 at 3.25%.

On March 27, 2005, the County reissued the County Facilities and Landfill Improvement notes by retiring \$635,000 and reissuing \$710,000 at 3.25%.

HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

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:				
(A) (D) Food Donation	10.550	N/A	\$ -	\$ 5,190
(B) (D) National School Lunch	10.555	065946-03-PU-2002	23,010	-
Total U.S. Department of Agriculture and Nutrition Cluster			23,010	5,190
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-M-02-032-1	5,000	-
Community Development Block Grant	14.228	B-C-02-032-1	100,912	-
Community Development Block Grant	14.228	B-E-03-032-1	211,800	-
Community Development Block Grant	14.228	B-F-03-032-1	40,100	-
Community Development Block Grant	14.228	B-F-02-032-1	71,878	-
Total Community Development Block Grant			429,690	-
Home Investment Partnership Program	14.239	B-C-02-032-2	365,450	-
Total U.S. Department of Housing and Urban Development			795,140	-
U.S. DEPARTMENT OF JUSTICE PASSED THROUGH THE OFFICE OF CRIMINAL JUSTICE SERVICES:				
Juvenile Accountability Incentive Block Grant	16.523	2002-JB-007-S305	1,955	-
Total U.S. Department of Justice			1,955	-
U.S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES:				
Unemployment Insurance	17.225	N/A	19,089	-
(F) Workforce Investment Act - Adult	17.258	N/A	65,476	-
(F) Workforce Investment Act - Adult Administration	17.258	N/A	10,023	-
Total Workforce Investment Act - Adult			75,499	-
(F) Workforce Investment Act - Youth	17.259	N/A	91,341	-
(F) Workforce Investment Act - Youth Administration	17.259	N/A	4,623	-
Total Workforce Investment Act - Youth Administration			95,964	-
(F) Workforce Investment Act - Dislocated Workers	17.260	N/A	86,143	-
(F) Workforce Investment Act - Dislocated Workers Administration	17.260	N/A	4,932	-
Total Workforce Investment Act - Dislocated Worker Total			91,075	-
Total U.S. Department of Labor			281,627	-
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-04P	18,331	-
(E) Special Education-Grants to States (Title VI-B)	84.027	066365-6B-SF-05P	49,397	-
Total Special Education-Grants to States (Title VI-B)			67,728	-
(E) Special Education Preschool Grant	84.173	066365-PG-S1-04P	22,972	-
(E) Special Education Preschool Grant	84.173	066365-PG-S1-05P	23,901	-
Total Special Education Preschool Grant			46,873	-
Total Special Education Cluster			114,601	-
State Grants for Innovative Program	84.298	066365-C2-S1-2004	498	-
Total U.S. Department of Education			115,099	-

**HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

-- Continued from Pg. 65

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
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 Centers	93.044	N/A	35,967	-
PASSED THROUGH QUADCO REHABILITATION CENTER:				
Social Services Block Grant (Title XX)	93.667	N/A	16,469	-
Medical Assistance Program (Medicaid: Title XIX)	93.778	N/A	194,196	-
PASSED THROUGH THE OHIO DEVELOPMENT OF MENTAL RETARDATION AND DEVELOPMENT DISABILITIES:				
State Children's Insurance Program	93.767	N/A	8,594	-
Targeted Case Management (Medicaid: Title XIX)	93.778	N/A	416,174	-
Medical Assistance Program (Medicaid: Title XIX)	93.778	N/A	154,417	-
Total Medical Assistance Program			570,591	-
Total U.S. Department of Health and Human Services			825,817	-
U.S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE OHIO DEPARTMENT OF EMERGENCY MANAGEMENT DISASTER ASSISTANCE:				
State Domestic Preparedness Equipment Support Program	97.004	S03-HP03-35-0534	6,731	-
State Domestic Preparedness Equipment Support Program	97.004	S04-SHSP-35-0393	65,306	-
State Domestic Preparedness Equipment Support Program	97.004	S04-HPP2-35-0123	18,464	-
State Domestic Preparedness Equipment Support Program	97.004	S04-HEP2-35-0035	43,155	-
Total State Domestic Preparedness Equipment Support Program			133,656	-
Emergency Management Performance Grants	97.042	EMC-03-GR-7026	2,007	-
Emergency Management Performance Grants	97.042	EMC-04-GR-7007	15,603	-
Total Emergency Management			17,610	-
Total U.S. Department of Homeland Security			151,266	-
Total Federal Financial Assistance			\$ 2,193,914	\$ 5,190

- (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.

JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Westerville, Ohio 43082

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

Board of Commissioners
Henry County 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 of Henry County, Ohio (the “County”) as of and for the year ended December 31, 2004, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated June 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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 other matters involving the internal control over financial reporting, that do not require inclusion in this report that we have reported to the management of the County in a separate letter dated June 23, 2005.

Board of Commissioners
Henry County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2004-HC-001. We also noted certain matters that we have reported to the management of the County in a separate letter dated June 23, 2005.

This report is intended solely 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.



Julian & Grube, Inc.
June 23, 2005

JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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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, 2004. Henry County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Henry County's management. Our responsibility is to express an opinion on Henry County's compliance based on our audit.

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

In our opinion, Henry County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

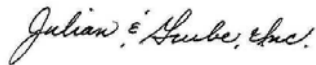
Internal Control Over Compliance

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*.

Board of Commissioners
Henry County

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to 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 compliance, which we have reported to the management of Henry County in a separate letter dated June 23, 2005.

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.



Julian & Grube, Inc.
June 23, 2005

HENRY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2004

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, 2004

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
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Finding Number	2004-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 Type</u>	<u>Fund</u>	<u>Excess</u>
Nonmajor Funds		
Special Revenue	Child Service	\$ 193,121
Special Revenue	Family First Council	25,149
Special Revenue	Litter	500
Special Revenue	Operations 911	14,191
Special Revenue	Dys	4,768
Special Revenue	Solid Waste	395
Special Revenue	Recorder	2,755
Special Revenue	Block Grants	102,602
Special Revenue	WIA	270,624
Capital Projects	Issue II	42,276
Enterprise	HCA	66,140
Enterprise	Landfill	4,483
Expendable Trust	MR/DD Capital Project	39,918

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.

Client Response: The County Auditor is attempting to obtain additional amended certificates when new monies are known and become available.

HENRY COUNTY

STATUS OF PRIOR AUDIT FINDINGS

OMB CIRCULAR A-133 § .315(b)

DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer <u>Valid</u>; Explain:
2003-HC-001	Ohio Revised Code Section 5705.39 prohibiting a subdivision from having appropriations in excess of estimated resources.	No	The County Auditor will attempt to monitor the budget more closely.



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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
AUGUST 4, 2005**