

HENRY COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007

HONORABLE KEVIN NYE, AUDITOR



Mary Taylor, CPA

Auditor of State

Board of Commissioners
Henry County
660 N. Perry St.
Napoleon, OH 43545

We have reviewed the *Independent Auditor's Report* of Henry County prepared by Julian and Grube, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 8, 2008

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HENRY COUNTY

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio, as of and for the year ended December 31, 2007, which collectively comprise Henry County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henry County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

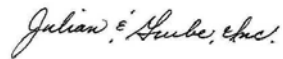
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Country View Haven, Motor Vehicle and Gas Tax, County Board of MRDD and Public Assistance funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2008 on our consideration of Henry County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Board of Commissioners
Page 2

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

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



Julian & Grube, Inc.
June 26, 2008

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

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, 2007. 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 2007 are as follows:

- The total net assets of the County increased \$3,087,908. Net assets of governmental activities increased \$2,769,655, which represents a 5.67% increase from fiscal year 2006. Net assets of business-type activities increased \$318,253, which represents a 96.09% increase from fiscal year 2006.
- General revenues accounted for \$12,015,553 or 45.11% of total governmental activities revenue. Program specific revenues accounted for \$14,622,960 or 54.89% of total governmental activities revenue. In addition, the County had a special item of \$519,519 for a gain on the sale of land.
- The County had \$24,388,377 in expenses related to governmental activities. \$14,622,960 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12,015,553 were adequate to provide for these programs.
- The County's major funds are the general fund, country view haven, motor vehicle and gas tax fund, county board of mental retardation and developmentally disabled (MRDD), public assistance and courthouse project fund. The general fund, the County's largest major fund, had revenues of \$8,018,728 in 2007, an increase of \$248,822 or 3.20% from 2006 revenues. The general fund had expenditures and other financing uses of \$6,736,346 in 2007, an increase of \$487,381 or 7.80% from 2006. The increase in revenues, due to an increase in sales tax collections in 2007, and increase in expenditures, due to an increase in the cost of purchased services, contributed to the general fund balance increase of \$1,282,382 or 39.05% from 2006 to 2007.
- The country view haven, a County major fund, had revenues of \$659,990 in 2007. The country view haven had expenditures of \$1,626,802 in 2007. The country view haven fund balance decreased \$966,812 or 42.81% from 2006 to 2007.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,367,229 in 2007. The motor vehicle and gas tax fund had expenditures of \$4,427,584 in 2007. The motor vehicle and gas tax fund balance decreased \$60,355 or 4.80% from 2006 to 2007.
- The county board of MRDD fund, a County major fund, had revenues of \$6,473,611 in 2007. The county board of MRDD fund had expenditures of \$6,213,527 in 2007. The county board of MRDD fund balance increased \$260,084 or 11.12% from 2006 to 2007.
- The public assistance fund, a County major fund, had revenues of \$2,062,361 in 2007. The public assistance fund had expenditures of \$1,921,438 in 2007. The public assistance fund balance increased \$140,923 or 38.28% from 2006 to 2007.
- The courthouse project fund, a County major fund, had revenues and other financing sources of \$2,745,605 in 2007, including \$2,410,000 for the issuance of notes. The courthouse project fund also had \$625,000 in proceeds from the sale of land. The courthouse project fund had expenditures of \$3,279,162 in 2007. The courthouse project fund balance increased \$91,443 or 53.06% from 2006 to 2007.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

- Net assets for the business-type activities, which include the sanitary landfill, tower, Hahn Center and Monroe Township landfill fees enterprise funds, increased in 2007 by \$318,253 or 96.09%.

Using these Basic Financial Statements (BFS)

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

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

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities answer the question, "How did we do financially during 2007?" These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

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), public assistance and courthouse project fund. The analysis of the County's major governmental and proprietary funds begins on page 10.

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Financial Statements

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

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

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 2007 and 2006.

	Net Assets					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2007 Total	2006 Total
	2007	2007	2006	2006		
<u>Assets</u>						
Current and other assets	\$ 26,207,227	\$ 2,125,998	\$ 24,988,093	\$ 1,659,991	\$ 28,333,225	\$ 26,648,084
Capital assets, net	<u>36,891,274</u>	<u>431,193</u>	<u>36,388,952</u>	<u>462,658</u>	<u>37,322,467</u>	<u>36,851,610</u>
Total assets	<u>63,098,501</u>	<u>2,557,191</u>	<u>61,377,045</u>	<u>2,122,649</u>	<u>65,655,692</u>	<u>63,499,694</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	4,934,744	2,525,081	5,807,023	2,410,387	7,459,825	8,217,410
Other liabilities	<u>6,501,368</u>	<u>45,085</u>	<u>6,677,288</u>	<u>43,490</u>	<u>6,546,453</u>	<u>6,720,778</u>
Total liabilities	<u>11,436,112</u>	<u>2,570,166</u>	<u>12,484,311</u>	<u>2,453,877</u>	<u>14,006,278</u>	<u>14,938,188</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	33,492,517	431,193	32,232,550	462,658	33,923,710	32,695,208
Restricted	13,281,044	-	13,422,991	-	13,281,044	13,422,991
Unrestricted (deficit)	<u>4,888,828</u>	<u>(444,168)</u>	<u>3,237,193</u>	<u>(793,886)</u>	<u>4,444,660</u>	<u>2,443,307</u>
Total net assets (deficit)	<u>\$ 51,662,389</u>	<u>\$ (12,975)</u>	<u>\$ 48,892,734</u>	<u>\$ (331,228)</u>	<u>\$ 51,649,414</u>	<u>\$ 48,561,506</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2007, the County's assets exceeded liabilities by \$51,649,414. This amounts to \$51,662,389 in governmental activities and a deficit of \$12,975 in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 56.85% of total governmental and business-type assets. Capital assets include land, buildings and improvements, machinery and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2007, were \$33,923,710. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. Capital assets are discussed further on page 13.

As of December 31, 2007, the County is able to report positive balances in all categories of net assets for its governmental activities.

A portion of the County's governmental activities net assets, \$13,281,044 or 25.71%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net assets is \$4,888,828.

Certain amounts for the 2006 governmental activities revenues in the table below have been reclassified to properly report operating grants and contributions and sales tax revenue for the motor vehicle and gas tax fund.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

The table below shows the changes in net assets for governmental and business-type activities for 2007 and 2006:

	Change in Net Assets					
	Governmental	Business-type	Governmental	Business-type	2007	2006
	Activities	Activities	Activities	Activities	Total	Total
	2007	2007	2006	2006		
Revenues						
Program revenues:						
Charges for services and sales	\$ 2,902,730	\$ 1,076,217	\$ 4,520,195	\$ 1,188,054	\$ 3,978,947	\$ 5,708,249
Operating grants and contributions	11,337,980	-	6,760,376	-	11,337,980	6,760,376
Capital grants and contributions	382,250	-	433,216	-	382,250	433,216
Total program revenues	<u>14,622,960</u>	<u>1,076,217</u>	<u>11,713,787</u>	<u>1,188,054</u>	<u>15,699,177</u>	<u>12,901,841</u>
General revenues:						
Property taxes	5,599,788	-	6,158,130	-	5,599,788	6,158,130
Sales tax	3,355,658	-	5,509,972	-	3,355,658	5,509,972
Unrestricted grants	1,256,145	-	1,231,330	-	1,256,145	1,231,330
Investment earnings	710,503	69,348	980,387	54,751	779,851	1,035,138
Miscellaneous	1,093,459	32,339	945,398	15,400	1,125,798	960,798
Total general revenues	<u>12,015,553</u>	<u>101,687</u>	<u>14,825,217</u>	<u>70,151</u>	<u>12,117,240</u>	<u>14,895,368</u>
Total revenues	<u>26,638,513</u>	<u>1,177,904</u>	<u>26,539,004</u>	<u>1,258,205</u>	<u>27,816,417</u>	<u>27,797,209</u>
Expenses						
Program expenses:						
General government	4,043,504	-	4,144,354	-	4,043,504	4,144,354
Public safety	2,249,291	-	2,351,850	-	2,249,291	2,351,850
Public works	3,933,319	-	4,598,851	-	3,933,319	4,598,851
Health	1,827,953	-	1,702,137	-	1,827,953	1,702,137
Human services	10,866,923	-	11,090,500	-	10,866,923	11,090,500
Economic development	367,804	-	543,114	-	367,804	543,114
Transportation	266,150	-	361,159	-	266,150	361,159
Other	691,234	-	409,224	-	691,234	409,224
Interest and fiscal charges	142,199	-	240,596	-	142,199	240,596
Sanitary landfill	-	778,321	-	1,011,075	778,321	1,011,075
Nonmajor enterprise funds:						
Tower fund	-	13,378	-	77,864	13,378	77,864
Hahn Center	-	61,977	-	31,844	61,977	31,844
Monroe Township landfill fees	-	5,975	-	7,542	5,975	7,542
Total expenses	<u>24,388,377</u>	<u>859,651</u>	<u>25,441,785</u>	<u>1,128,325</u>	<u>25,248,028</u>	<u>26,570,110</u>
Excess revenues over (under) expenses	2,250,136	318,253	1,097,219	129,880	2,568,389	1,227,099
Special items	519,519	-	1,038,927	-	519,519	1,038,927
Transfers	-	-	(115,000)	115,000	-	-
Change in net assets	2,769,655	318,253	2,021,146	244,880	3,087,908	2,266,026
Net assets (deficit) at beginning of year	<u>48,892,734</u>	<u>(331,228)</u>	<u>46,871,588</u>	<u>(576,108)</u>	<u>48,561,506</u>	<u>46,295,480</u>
Net assets (deficit) at end of year	<u>\$ 51,662,389</u>	<u>\$ (12,975)</u>	<u>\$ 48,892,734</u>	<u>\$ (331,228)</u>	<u>\$ 51,649,414</u>	<u>\$ 48,561,506</u>

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

Governmental Activities

Governmental net assets increased by \$2,769,655 in 2007 from 2006. This increase is due to slightly increasing revenues and a decrease in expenses.

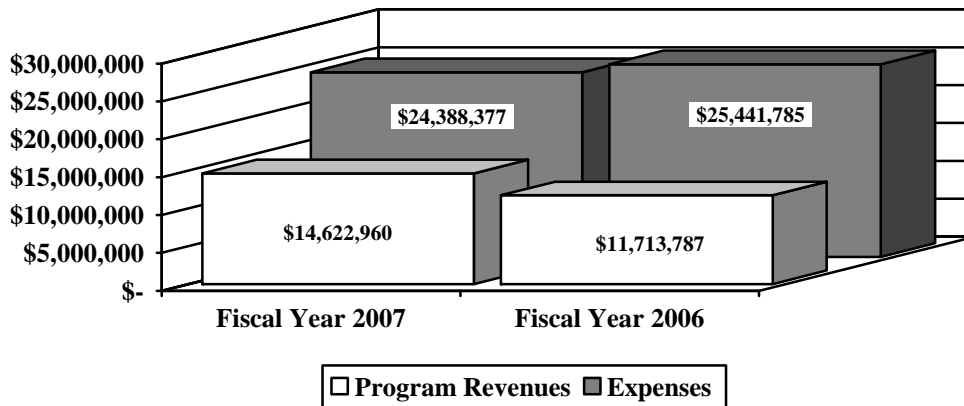
Human services, which supports the operations of the county board of MRDD and public assistance, accounts for \$10,866,923 of expenses, or 44.56% of total governmental expenses of the County. These expenses were funded by \$220,690 in charges to users of services and \$6,207,337 in operating grants in 2007. General government expenses which includes legislative and executive and judicial programs, totaled \$4,043,504 or 16.58% of total governmental expenses. General government expenses were covered by \$1,689,827 of direct charges to users in 2007.

The State and Federal government contributed to the County revenues of \$11,337,980 in operating grants and contributions and \$382,250 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$6,207,337, or 54.75%, subsidized human services programs.

General revenues totaled \$12,015,553, and amounted to 45.11% of total revenues. These revenues primarily consist of property and sales tax revenue of \$8,955,446 or 74.54% of total general revenues in 2007. The other primary source of general revenues is grants and entitlements not restricted to specific programs of \$1,256,145.

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

Governmental Activities – Program Revenues vs. Total Expenses



HENRY COUNTY, OHIO

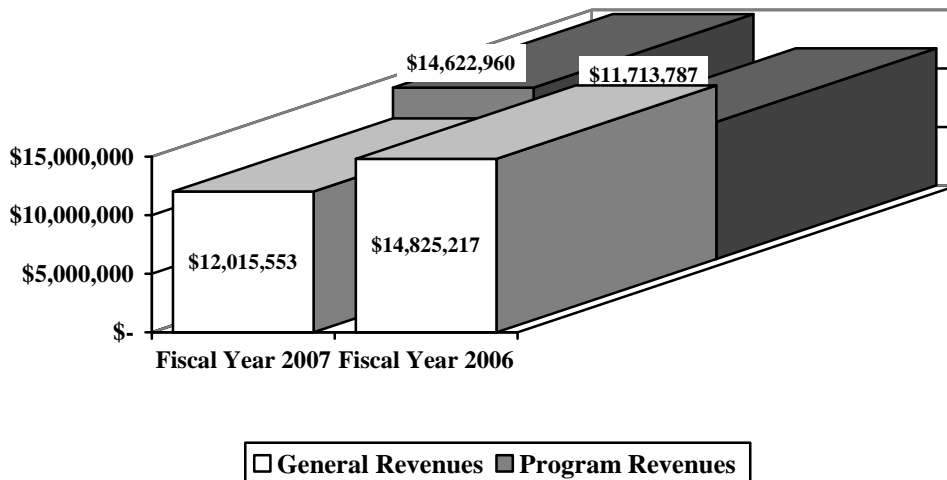
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

The following table shows, for governmental activities, the total cost of services and the net cost of services for 2007 and 2006. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted State grants and entitlements). The net cost of services for 2006 public works has been restated to properly report operating grants and contributions and sales tax revenue for the motor vehicle and gas tax fund.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
Program expenses:				
General government	\$ 4,043,504	\$ 2,205,539	\$ 4,144,354	\$ 2,447,501
Public safety	2,249,291	1,916,907	2,351,850	1,969,132
Public works	3,933,319	(663,555)	4,598,851	2,331,449
Health	1,827,953	1,153,144	1,702,137	803,724
Human services	10,866,923	4,438,896	11,090,500	5,260,296
Economic development and assistance	367,804	40,966	543,114	175,679
Transportation	266,150	(159,913)	361,159	93,997
Other	691,234	691,234	409,224	409,224
Interest and fiscal charges	<u>142,199</u>	<u>142,199</u>	<u>240,596</u>	<u>236,996</u>
Total	<u>\$ 24,388,377</u>	<u>\$ 9,765,417</u>	<u>\$ 25,441,785</u>	<u>\$ 13,727,998</u>

The dependence upon general revenues for governmental activities is apparent, with 40.05% and 53.96% of expenses supported through taxes and other general revenues during 2007 and 2006, respectively. The graph below illustrates the County's reliance upon general revenues.

Governmental Activities – General and Program Revenues



HENRY COUNTY, OHIO

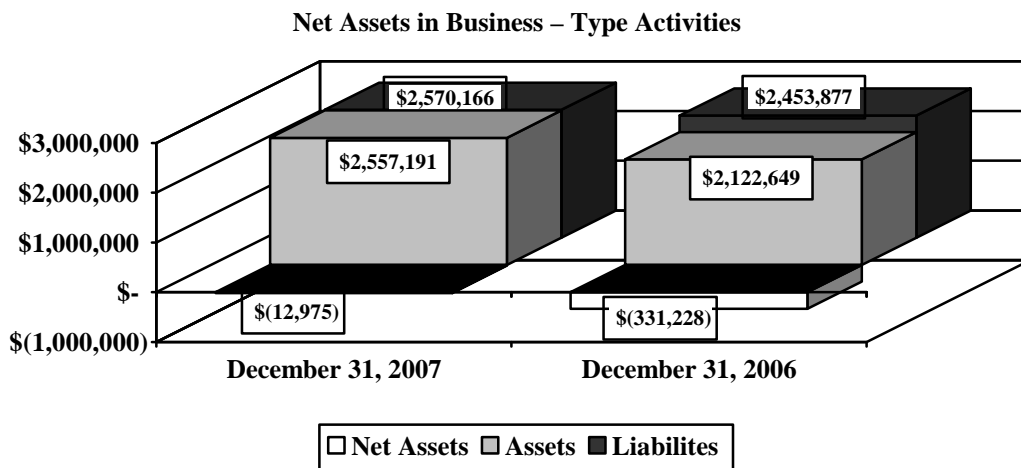
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

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 \$1,076,217, general revenues of \$101,687 and expenses of \$859,651 for fiscal year 2007.

The business-type activities net assets increased \$318,253 or 96.09% during fiscal year 2007.

The following graph illustrates the assets, liabilities and net assets of the County's business-type activities at December 31, 2007 and 2006:



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The County's governmental funds (as presented on the balance sheet on pages 19-20) reported a combined fund balance of \$15,234,591, which is \$957,004 greater than last year's total of \$14,277,587. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2007 for all major and nonmajor governmental funds.

HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Fund Balance</u> <u>December 31, 2007</u>	<u>Fund Balance</u> <u>December 31, 2006</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 4,566,449	\$ 3,284,067	\$ 1,282,382
Country view haven fund	1,291,876	2,258,688	(966,812)
Motor vehicle and gas tax	1,198,359	1,258,714	(60,355)
County board of MRDD	2,598,805	2,338,721	260,084
Public assistance	509,122	368,199	140,923
Courthouse project	263,790	172,347	91,443
Other nonmajor governmental funds	<u>4,806,190</u>	<u>4,596,851</u>	<u>209,339</u>
Total	<u>\$ 15,234,591</u>	<u>\$ 14,277,587</u>	<u>\$ 957,004</u>

General Fund

The general fund, the County's largest major fund, had revenues of \$8,018,728 in 2007, which represents a \$248,822 increase from 2006 revenues. The general fund had expenditures and other financing uses of \$6,736,346 in 2007, an increase of \$487,381 or 7.80% from 2006. The increased revenues outpacing increased expenditures contributed to the general fund balance increase of \$1,282,382 or 39.05% from 2006 to 2007.

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

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,292,637	\$ 5,043,301	4.94 %
Charges for services	851,197	824,568	3.23 %
Licenses and permits	1,933	2,252	(14.17) %
Fines and forfeitures	74,612	86,481	(13.72) %
Intergovernmental	917,330	949,905	(3.43) %
Investment income	710,503	739,173	(3.88) %
Other	<u>170,516</u>	<u>124,226</u>	37.26 %
Total	<u>\$ 8,018,728</u>	<u>\$ 7,769,906</u>	3.20 %

Tax revenue represents 66.01% of all general fund revenue. Tax revenue increased by 4.94% over prior year, primarily due to an increase in sales tax revenue collections. The increase in other revenue is due to an increase in the amount of rental income received during 2007. All other revenue remained comparable to 2006.

HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

<u>Expenditures</u>	<u>2007 Amount</u>	<u>2006 Amount</u>	<u>Percentage Change</u>
General government			
Legislative and executive	\$ 1,947,336	\$ 2,045,137	(4.78) %
Judicial	903,078	883,880	2.17 %
Public safety	2,081,735	1,916,108	8.64 %
Public works	124,429	85,405	45.69 %
Health	54,847	46,314	18.42 %
Human services	306,007	240,321	27.33 %
Economic development and assistance	470	1,783	(73.64) %
Other	670,899	379,849	76.62 %
Capital outlay	<u>13,515</u>	<u>2,400</u>	463.13 %
Total	<u>\$ 6,102,316</u>	<u>\$ 5,601,197</u>	8.95 %

Expenditures have increased by 8.95% over 2006 for the County. The significant areas of increase expenditures are public safety, public works, human services and other expenditures. These increases can be attributed to the increased cost of purchased services and materials, such as fuel. The remaining expenditure line items did not have a significant variance from 2006.

Country View Haven Fund

The country view haven, a County major fund, had revenues of \$659,990 in 2007. The country view haven had expenditures of \$1,626,802 in 2007. The country view haven fund balance decreased \$966,812 or 42.81% from 2006 to 2007.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,367,229 in 2007. The motor vehicle and gas tax fund had expenditures of \$4,427,584 in 2007. The motor vehicle and gas tax fund balance decreased \$60,355 or 4.80% from 2006 to 2007.

County Board of Mental Retardation and Developmental Disabled (MRDD)

The county board of MRDD fund, a County major fund, had revenues of \$6,473,611 in 2007. The county board of MRDD fund had expenditures of \$6,213,527 in 2007. The county board of MRDD fund balance increased \$260,084 or 11.12% from 2006 to 2007.

Public Assistance Fund

The public assistance fund, a County major fund, had revenues of \$2,062,361 in 2007. The public assistance fund had expenditures of \$1,921,438 in 2007. The public assistance fund balance increased \$140,923 or 38.28% from 2006 to 2007.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

Courthouse Project Fund

The courthouse project fund, a County major fund, had revenues and other financing sources of \$2,745,605 in 2007, including \$2,410,000 for the issuance of notes. The courthouse project fund also had \$625,000 in proceeds from the sale of land. The courthouse project fund had expenditures of \$3,279,162 in 2007. The courthouse project fund balance increased \$91,443 or 53.06% from 2006 to 2007.

Budgeting Highlights – General Fund

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

In the general fund, there were no significant changes between the original and final budget. Actual revenues of \$8,670,736 were less than final budgeted revenues by \$30,671. The difference between the final budget and actual expenditures was \$857,224 a decrease in expenditures. Actual expenditures being lower than final budgeted expenditures are a result of the County's conservative budgeting practices and cuts made to decrease spending during 2007.

Proprietary Funds

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

Sanitary Landfill Fund

The sanitary landfill fund, a major proprietary fund, had operating revenues of \$980,851 in 2007, a decrease of \$135,985 or 12.18% from 2006 revenues. The sanitary landfill fund had operating expenses of \$778,321 in 2007, a decrease of \$228,937 or 22.73% from 2006. The net change in operating revenues and expenses contributed to the increase in net assets of \$271,878 during 2007.

Capital Assets and Debt Administration

Capital Assets

At the end of 2007, the County had \$37,322,467 (net of accumulated depreciation) invested in land, buildings and improvements, machinery and equipment, vehicles and infrastructure. Of this total, \$36,891,274 was reported in governmental activities and \$431,193 was reported in business-type activities. The following table shows fiscal 2007 balances compared to 2006:

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,656,808	\$ 1,762,289	\$ 277,435	\$ 277,435	\$ 1,934,243	\$ 2,039,724
Building and improvements	11,553,057	12,282,119	13,454	14,949	11,566,511	12,297,068
Machinery and equipment	472,150	443,714	49,289	54,713	521,439	498,427
Vehicles	2,396,332	2,048,744	91,015	115,561	2,487,347	2,164,305
Infrastructure	20,812,927	19,852,086	-	-	20,812,927	19,852,086
Total	\$ 36,891,274	\$ 36,388,952	\$ 431,193	\$ 462,658	\$ 37,322,467	\$ 36,851,610

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

Debt Administration

At December 31, 2007 the County had \$7,459,825 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 \$3,411,939 is due within one year and \$4,047,886 is due in greater than one year. The following table summarizes the outstanding debt at year end.

Outstanding Debt, at Year End

	Governmental	Business-type	Total
	Activities	Activities	
	2007	2007	2007
Long-Term Obligations			
General obligation bonds	\$ 23,000	\$ -	\$ 23,000
Special assessment bonds	178,701	-	178,701
OWDA loans	560,944	-	560,944
Mortgage loan	70,988	-	70,988
Capital lease	5,124	-	5,124
Notes payable	2,560,000	-	2,560,000
Estimated liability for landfill closure/post closure	-	2,501,613	2,501,613
Compensated absences payable	1,535,987	23,468	1,559,455
Total	\$ 4,934,744	\$ 2,525,081	\$ 7,459,825

At December 31, 2007 the County's overall legal debt margin was \$10,666,977. See Note 13 to the basic financial statements for detail on governmental activities and business-type activities long term debt.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for fiscal year 2008.

The county's unemployment rate is 6.5%, compared to the 6.0% state average and the 5.0% national average.

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

These economic factors were considered in preparing the County's budget for FY 2007. Budgeted revenues and other financing sources in the general fund for fiscal year 2008 is \$8,000,682. With the continuation of conservative budgeting practices and the increase in the local sales tax, the County's financial position should improve in future years.

Contacting the County's Financial Management

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

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**BASIC
FINANCIAL STATEMENTS**

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HENRY COUNTY, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 13,195,084	\$ 522,372	\$ 13,717,456
Cash in segregated accounts	25,073	-	25,073
Receivables (net of allowances for uncollectibles):			
Sales taxes	927,408	-	927,408
Property and other taxes	5,329,235	-	5,329,235
Accounts	62,884	38,832	101,716
Due from other governments	4,877,280	-	4,877,280
Special assessments	397,742	-	397,742
Accrued interest	64,392	10,194	74,586
Loans	997,789	-	997,789
Prepayments	156,554	2,130	158,684
Materials and supplies inventory	173,786	96	173,882
Restricted assets:			
Equity in pooled cash and cash equivalents	-	1,552,374	1,552,374
Capital assets:			
Land	1,656,808	277,435	1,934,243
Depreciable capital assets, net	35,234,466	153,758	35,388,224
Total capital assets, net	<u>36,891,274</u>	<u>431,193</u>	<u>37,322,467</u>
Total assets	<u>63,098,501</u>	<u>2,557,191</u>	<u>65,655,692</u>
Liabilities:			
Accounts payable	717,347	18,029	735,376
Accrued wages and benefits	305,915	3,188	309,103
Pension obligation payable	132,860	1,876	134,736
Due to other governments	198,853	21,992	220,845
Deposits held and due to others	24,957	-	24,957
Amounts to be repaid to claimants	26,436	-	26,436
Accrued interest payable	91,051	-	91,051
Unearned revenue	5,003,949	-	5,003,949
Long-term liabilities:			
Due within one year	3,407,577	4,362	3,411,939
Due in more than one year	<u>1,527,167</u>	<u>2,520,719</u>	<u>4,047,886</u>
Total liabilities	<u>11,436,112</u>	<u>2,570,166</u>	<u>14,006,278</u>
Net assets:			
Invested in capital assets, net of related debt	33,492,517	431,193	33,923,710
Restricted for:			
Capital projects	690,026	-	690,026
Debt service	256,376	-	256,376
Public safety programs	203,913	-	203,913
Public works projects	2,461,937	-	2,461,937
Human services programs	5,001,619	-	5,001,619
Health programs	1,368,044	-	1,368,044
Economic development programs	1,620,908	-	1,620,908
Other purposes	1,678,221	-	1,678,221
Unrestricted (deficit)	<u>4,888,828</u>	<u>(444,168)</u>	<u>4,444,660</u>
Total net assets (deficit)	<u>\$ 51,662,389</u>	<u>\$ (12,975)</u>	<u>\$ 51,649,414</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government:				
Legislative and executive	\$ 2,944,773	\$ 1,293,112	\$ 31,897	\$ -
Judicial	1,098,731	396,715	1,241	115,000
Public safety	2,249,291	211,613	120,771	-
Public works	3,933,319	99,449	4,230,175	267,250
Health	1,827,953	674,809	-	-
Human services	10,866,923	220,690	6,207,337	-
Economic development and assistance	367,804	-	326,838	-
Transportation	266,150	6,342	419,721	-
Other	691,234	-	-	-
Interest and fiscal charges	142,199	-	-	-
Total governmental activities	24,388,377	2,902,730	11,337,980	382,250
Business-Type Activities:				
Sanitary landfill	778,321	964,559	-	-
Tower fund	13,378	24,786	-	-
Hahn Center	61,977	80,540	-	-
Monroe Township landfill fees	5,975	6,332	-	-
Total business-type activities	859,651	1,076,217	-	-
Total primary government	\$ 25,248,028	\$ 3,978,947	\$ 11,337,980	\$ 382,250

General Revenues:

Property taxes levied for:

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

Total general revenues

Special item:

Gain on sale of land

Total general revenues and special item

Change in net assets

Net assets (deficit) at beginning of year

Net assets (deficit) at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (1,619,764)	\$ -	\$ (1,619,764)
(585,775)	-	(585,775)
(1,916,907)	-	(1,916,907)
663,555	-	663,555
(1,153,144)	-	(1,153,144)
(4,438,896)	-	(4,438,896)
(40,966)	-	(40,966)
159,913	-	159,913
(691,234)	-	(691,234)
(142,199)	-	(142,199)
<u>(9,765,417)</u>	<u>-</u>	<u>(9,765,417)</u>
-	186,238	186,238
-	11,408	11,408
-	18,563	18,563
-	357	357
<u>-</u>	<u>216,566</u>	<u>216,566</u>
<u>(9,765,417)</u>	<u>216,566</u>	<u>(9,548,851)</u>
1,915,208	-	1,915,208
3,609,883	-	3,609,883
74,697	-	74,697
3,355,658	-	3,355,658
1,256,145	-	1,256,145
710,503	69,348	779,851
1,093,459	32,339	1,125,798
12,015,553	101,687	12,117,240
<u>519,519</u>	<u>-</u>	<u>519,519</u>
<u>12,535,072</u>	<u>101,687</u>	<u>12,636,759</u>
2,769,655	318,253	3,087,908
<u>48,892,734</u>	<u>(331,228)</u>	<u>48,561,506</u>
<u>\$ 51,662,389</u>	<u>\$ (12,975)</u>	<u>\$ 51,649,414</u>

HENRY COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of MRDD</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 4,037,832	\$ 1,355,973	\$ 735,913	\$ 2,687,739
Cash in segregated accounts.	-	116	-	-
Receivables (net of allowance for uncollectibles):				
Sales taxes	927,408	-	-	-
Property and other taxes.	2,013,268	-	-	3,315,967
Accounts	24,189	-	1,072	2,860
Due from other governments	443,391	-	2,191,838	455,587
Special assessments	-	-	-	-
Accrued interest	38,427	-	14,261	-
Loans	-	-	-	-
Due from other funds	2,535	-	10,637	-
Prepayments.	38,360	9,722	21,384	69,469
Materials and supplies inventory	22,635	-	118,898	24,091
Total assets.	<u>\$ 7,548,045</u>	<u>\$ 1,365,811</u>	<u>\$ 3,094,003</u>	<u>\$ 6,555,713</u>
Liabilities:				
Accounts payable	\$ 128,995	\$ 15,965	\$ 226,840	\$ 153,254
Accrued wages and benefits.	57,147	23,757	24,323	149,578
Compensated absences payable.	-	-	37,739	-
Due to other funds	4,955	186	-	-
Due to other governments.	56,529	20,699	28,986	50,746
Pension obligation payable.	35,754	13,328	16,007	38,858
Deposits held and due to others.	-	-	-	-
Amount to be repaid to claimants	26,436	-	-	-
Deferred revenue	785,118	-	1,561,749	447,185
Unearned revenue.	1,886,662	-	-	3,117,287
Total liabilities	<u>2,981,596</u>	<u>73,935</u>	<u>1,895,644</u>	<u>3,956,908</u>
Fund Balances:				
Reserved for encumbrances.	52,017	9,397	3,378	50,290
Reserved for prepayments.	38,360	9,722	21,384	69,469
Reserved for materials and supplies inventory	22,635	-	118,898	24,091
Reserved for loans	-	-	-	-
Reserved for unclaimed monies	1,271	-	-	-
Unreserved, undesignated, reported in:				
General fund	4,452,166	-	-	-
Special revenue funds	-	1,272,757	1,054,699	2,454,955
Debt service fund.	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>4,566,449</u>	<u>1,291,876</u>	<u>1,198,359</u>	<u>2,598,805</u>
Total liabilities and fund balances.	<u>\$ 7,548,045</u>	<u>\$ 1,365,811</u>	<u>\$ 3,094,003</u>	<u>\$ 6,555,713</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Public Assistance</u>	<u>Courthouse Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 306,583	\$ 263,790	\$ 3,807,254	\$ 13,195,084
-	-	24,957	25,073
-	-	-	927,408
-	-	-	5,329,235
-	-	34,763	62,884
1,175,939	-	610,525	4,877,280
-	-	397,742	397,742
-	-	11,704	64,392
-	-	997,789	997,789
2,930	-	1,602	17,704
10,152	-	7,467	156,554
4,090	-	4,072	173,786
<u>\$ 1,499,694</u>	<u>\$ 263,790</u>	<u>\$ 5,897,875</u>	<u>\$ 26,224,931</u>
\$ 71,974	\$ -	\$ 120,319	\$ 717,347
22,299	-	28,811	305,915
-	-	-	37,739
2,250	-	10,313	17,704
18,172	-	23,721	198,853
13,151	-	15,762	132,860
-	-	24,957	24,957
-	-	-	26,436
862,726	-	867,802	4,524,580
-	-	-	5,003,949
<u>990,572</u>	<u>-</u>	<u>1,091,685</u>	<u>10,990,340</u>
-	-	27,003	142,085
10,152	-	7,467	156,554
4,090	-	4,072	173,786
-	-	997,789	997,789
-	-	-	1,271
-	-	-	4,452,166
494,880	-	3,396,685	8,673,976
-	-	232,405	232,405
-	263,790	140,769	404,559
<u>509,122</u>	<u>263,790</u>	<u>4,806,190</u>	<u>15,234,591</u>
<u>\$ 1,499,694</u>	<u>\$ 263,790</u>	<u>\$ 5,897,875</u>	<u>\$ 26,224,931</u>

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HENRY COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007

Total governmental fund balances		\$ 15,234,591
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		36,891,274
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 318,926	
Sales taxes	369,108	
Special assessments	397,742	
Intergovernmental	3,438,804	
Total		4,524,580
In the statement of activities interest is accrued on outstanding loans, notes and bonds whereas in governmental funds, interest expenditures are reported when due.		(91,051)
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	(23,000)	
Special assessment bonds	(178,701)	
OWDA loan payable	(560,944)	
Mortgage loan payable	(70,988)	
Notes payable	(2,560,000)	
Compensated absences	(1,498,248)	
Capital leases payable	(5,124)	
Total		(4,897,005)
Net assets of governmental activities		<u>\$ 51,662,389</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, 2007

	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of MRDD</u>
Revenues:				
Sales taxes	\$ 3,224,182	\$ -	\$ -	\$ -
Property and other taxes	2,068,455	74,697	-	3,411,203
Charges for services	851,197	547,683	-	111,332
Licenses and permits	1,933	-	-	-
Fines and forfeitures	74,612	-	72,851	-
Intergovernmental	917,330	-	4,196,189	2,548,803
Special assessments	-	-	-	-
Investment income	710,503	-	44,999	-
Rental income	36,253	27,795	-	-
Other	134,263	9,815	53,190	402,273
Total revenues	<u>8,018,728</u>	<u>659,990</u>	<u>4,367,229</u>	<u>6,473,611</u>
Expenditures:				
Current:				
General government:				
Legislative and executive.	1,947,336	-	-	-
Judicial	903,078	-	-	-
Public safety	2,081,735	-	-	-
Public works.	124,429	-	4,426,337	-
Health	54,847	1,626,802	-	-
Human services	306,007	-	-	6,009,147
Economic development and assistance.	470	-	-	-
Transportation	-	-	-	-
Other	670,899	-	-	-
Capital outlay	13,515	-	-	190,310
Debt service:				
Principal retirement	-	-	1,222	12,003
Interest and fiscal charges	-	-	25	2,067
Total expenditures	<u>6,102,316</u>	<u>1,626,802</u>	<u>4,427,584</u>	<u>6,213,527</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>1,916,412</u>	<u>(966,812)</u>	<u>(60,355)</u>	<u>260,084</u>
Other financing sources (uses):				
Note issuance	-	-	-	-
Loan issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(634,030)	-	-	-
Total other financing sources (uses)	<u>(634,030)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special item:				
Sale of land.	-	-	-	-
Net change in fund balances.	1,282,382	(966,812)	(60,355)	260,084
Fund balances at beginning of year	<u>3,284,067</u>	<u>2,258,688</u>	<u>1,258,714</u>	<u>2,338,721</u>
Fund balances at end of year	<u>\$ 4,566,449</u>	<u>\$ 1,291,876</u>	<u>\$ 1,198,359</u>	<u>\$ 2,598,805</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Public Assistance</u>	<u>Courthouse Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 3,224,182
-	-	-	5,554,355
-	-	747,872	2,258,084
-	-	91,126	93,059
-	-	58,923	206,386
2,032,567	115,000	2,876,582	12,686,471
-	-	215,035	215,035
-	-	77,904	833,406
-	-	7,660	71,708
29,794	220,605	246,962	1,096,902
<u>2,062,361</u>	<u>335,605</u>	<u>4,322,064</u>	<u>26,239,588</u>
-	-	444,380	2,391,716
-	-	186,440	1,089,518
-	-	266,428	2,348,163
-	-	2,094	4,552,860
-	-	124,132	1,805,781
1,921,438	-	2,459,319	10,695,911
-	-	367,334	367,804
-	-	422,741	422,741
-	-	140	671,039
-	-	361,442	565,267
-	3,145,000	241,596	3,399,821
-	134,162	25,662	161,916
<u>1,921,438</u>	<u>3,279,162</u>	<u>4,901,708</u>	<u>28,472,537</u>
<u>140,923</u>	<u>(2,943,557)</u>	<u>(579,644)</u>	<u>(2,232,949)</u>
-	2,410,000	150,000	2,560,000
-	-	4,953	4,953
-	-	650,669	650,669
-	-	(16,639)	(650,669)
<u>-</u>	<u>2,410,000</u>	<u>788,983</u>	<u>2,564,953</u>
<u>-</u>	<u>625,000</u>	<u>-</u>	<u>625,000</u>
140,923	91,443	209,339	957,004
368,199	172,347	4,596,851	14,277,587
<u>\$ 509,122</u>	<u>\$ 263,790</u>	<u>\$ 4,806,190</u>	<u>\$ 15,234,591</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, 2007

Net change in fund balances - total governmental funds \$ 957,004

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

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

Capital outlay additions	\$ 2,867,162	
Current year depreciation	(2,163,194)	
Total		703,968

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. (201,646)

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

Property taxes	318,926	
Sales taxes	131,476	
Special assessments	(38,632)	
Intergovernmental	(12,845)	
Total		398,925

The issuance of notes and loans are other financing sources in the governmental funds; however, their issuance increases long-term liabilities on the statement of net assets. (2,564,953)

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. 3,399,821

In the statement of activities, interest is accrued on outstanding loans, notes and bonds, whereas in governmental funds, an interest expenditure is reported when due. 19,717

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. 56,819

Change in net assets of governmental activities \$ 2,769,655

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Sales taxes.	\$ 2,514,759	\$ 3,077,900	\$ 3,067,051	\$ (10,849)
Property and other taxes.	1,693,306	2,072,496	2,065,191	(7,305)
Charges for services.	681,697	834,353	831,412	(2,941)
Licenses and permits	1,585	1,940	1,933	(7)
Fines and forfeitures	68,061	83,303	83,009	(294)
Intergovernmental.	783,227	958,619	955,240	(3,379)
Investment income	611,626	748,591	745,952	(2,639)
Rental income	29,725	36,381	36,253	(128)
Other	428,916	524,965	523,115	(1,850)
Total revenues.	<u>6,812,902</u>	<u>8,338,548</u>	<u>8,309,156</u>	<u>(29,392)</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	2,530,113	2,758,605	2,475,427	283,178
Judicial.	972,821	1,060,675	951,794	108,881
Public safety	2,090,868	2,279,691	2,045,675	234,016
Public works	148,324	161,719	145,118	16,601
Health	61,624	67,189	60,292	6,897
Human services	339,410	370,062	332,074	37,988
Other	854,039	931,167	835,580	95,587
Capital outlay.	13,814	15,061	13,515	1,546
Total expenditures.	<u>7,011,013</u>	<u>7,644,169</u>	<u>6,859,475</u>	<u>784,694</u>
Excess of revenues over expenditures.	<u>(198,111)</u>	<u>694,379</u>	<u>1,449,681</u>	<u>755,302</u>
Other financing sources (uses):				
Transfers out	(648,037)	(706,560)	(634,030)	72,530
Other financing sources	296,469	362,859	361,580	(1,279)
Total other financing sources (uses)	<u>(351,568)</u>	<u>(343,701)</u>	<u>(272,450)</u>	<u>71,251</u>
Net change in fund balance.	(549,679)	350,678	1,177,231	826,553
Fund balance at beginning of year	2,544,187	2,544,187	2,544,187	-
Prior year encumbrances appropriated	77,499	77,499	77,499	-
Fund balance at end of year	<u>\$ 2,072,007</u>	<u>\$ 2,972,364</u>	<u>\$ 3,798,917</u>	<u>\$ 826,553</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes.	\$ 66,164	\$ 75,585	\$ 74,697	\$ (888)
Charges for services	507,932	580,255	573,435	(6,820)
Rental income	24,620	28,126	27,795	(331)
Other	8,784	10,035	9,917	(118)
Total revenues	<u>607,500</u>	<u>694,001</u>	<u>685,844</u>	<u>(8,157)</u>
Expenditures:				
Current:				
Health	<u>1,596,116</u>	<u>1,668,879</u>	<u>1,645,698</u>	<u>23,181</u>
Total expenditures	<u>1,596,116</u>	<u>1,668,879</u>	<u>1,645,698</u>	<u>23,181</u>
Net change in fund balance.	(988,616)	(974,878)	(959,854)	15,024
Fund balance at beginning of year	2,275,395	2,275,395	2,275,395	-
Prior year encumbrances appropriated	<u>15,624</u>	<u>15,624</u>	<u>15,624</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 1,302,403</u>	<u>\$ 1,316,141</u>	<u>\$ 1,331,165</u>	<u>\$ 15,024</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, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Fines and forfeitures	\$ 50,507	\$ 51,147	\$ 50,958	\$ (189)
Intergovernmental	4,154,075	4,206,750	4,191,199	(15,551)
Investment income.	34,364	34,800	34,671	(129)
Other	211,054	213,730	212,940	(790)
Total revenues	<u>4,450,000</u>	<u>4,506,427</u>	<u>4,489,768</u>	<u>(16,659)</u>
Expenditures:				
Current:				
Public works.	<u>4,925,000</u>	<u>4,946,351</u>	<u>4,550,579</u>	<u>395,772</u>
Total expenditures	<u>4,925,000</u>	<u>4,946,351</u>	<u>4,550,579</u>	<u>395,772</u>
Net change in fund balance.	(475,000)	(439,924)	(60,811)	379,113
Fund balance at beginning of year	553,722	553,722	553,722	-
Prior year encumbrances appropriated	<u>21,351</u>	<u>21,351</u>	<u>21,351</u>	<u>-</u>
Fund balance at end of year	<u>\$ 100,073</u>	<u>\$ 135,149</u>	<u>\$ 514,262</u>	<u>\$ 379,113</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes.	\$ 3,202,576	\$ 3,443,290	\$ 3,412,267	\$ (31,023)
Charges for services	132,647	142,617	141,332	(1,285)
Intergovernmental	2,370,005	2,548,140	2,525,182	(22,958)
Other	455,272	489,491	485,081	(4,410)
Total revenues	<u>6,160,500</u>	<u>6,623,538</u>	<u>6,563,862</u>	<u>(59,676)</u>
Expenditures:				
Current:				
Human services	6,771,829	7,022,154	6,175,978	846,176
Capital outlay	<u>208,671</u>	<u>216,385</u>	<u>190,310</u>	<u>26,075</u>
Total expenditures	<u>6,980,500</u>	<u>7,238,539</u>	<u>6,366,288</u>	<u>872,251</u>
Net change in fund balance.	(820,000)	(615,001)	197,574	812,575
Fund balance at beginning of year	2,173,435	2,173,435	2,173,435	-
Prior year encumbrances appropriated	<u>58,040</u>	<u>58,040</u>	<u>58,040</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,411,475</u>	<u>\$ 1,616,474</u>	<u>\$ 2,429,049</u>	<u>\$ 812,575</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 PUBLIC ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 2,887,883	\$ 2,825,225	\$ 2,305,704	\$ (519,521)
Other	37,317	36,507	29,794	(6,713)
Total revenues	<u>2,925,200</u>	<u>2,861,732</u>	<u>2,335,498</u>	<u>(526,234)</u>
Expenditures:				
Current:				
Human services	<u>2,925,200</u>	<u>2,925,200</u>	<u>2,314,455</u>	<u>610,745</u>
Total expenditures	<u>2,925,200</u>	<u>2,925,200</u>	<u>2,314,455</u>	<u>610,745</u>
Net change in fund balance.	-	(63,468)	21,043	84,511
Fund balance at beginning of year	<u>285,540</u>	<u>285,540</u>	<u>285,540</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 285,540</u>	<u>\$ 222,072</u>	<u>\$ 306,583</u>	<u>\$ 84,511</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2007

	Business-Type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents.	\$ 384,614	\$ 137,758	\$ 522,372
Receivables (net of allowance for uncollectibles):			
Accounts	38,811	21	38,832
Accrued interest	10,194	-	10,194
Restricted assets:			
Equity in pooled cash and cash equivalents	1,552,374	-	1,552,374
Prepayments.	2,130	-	2,130
Materials and supplies inventory	96	-	96
Total current assets	<u>1,988,219</u>	<u>137,779</u>	<u>2,125,998</u>
Noncurrent assets:			
Capital assets:			
Land	277,435	-	277,435
Depreciable capital assets, net	153,758	-	153,758
Total capital assets, net	<u>431,193</u>	<u>-</u>	<u>431,193</u>
Total noncurrent assets	<u>431,193</u>	<u>-</u>	<u>431,193</u>
Total assets	<u>2,419,412</u>	<u>137,779</u>	<u>2,557,191</u>
Liabilities:			
Current liabilities:			
Accounts payable.	16,499	1,530	18,029
Accrued wages and benefits	3,188	-	3,188
Compensated absences payable.	4,362	-	4,362
Due to other governments	20,064	1,928	21,992
Pension obligation payable	1,876	-	1,876
Total current liabilities	<u>45,989</u>	<u>3,458</u>	<u>49,447</u>
Long-term liabilities:			
Compensated absences.	19,106	-	19,106
Estimated accrued liability for landfill closure and post closure costs	2,501,613	-	2,501,613
Total long-term liabilities	<u>2,520,719</u>	<u>-</u>	<u>2,520,719</u>
Total liabilities	<u>2,566,708</u>	<u>3,458</u>	<u>2,570,166</u>
Net assets:			
Invested in capital assets, net of related debt	431,193	-	431,193
Unrestricted (deficit)	<u>(578,489)</u>	<u>134,321</u>	<u>(444,168)</u>
Total net assets (deficit)	<u>\$ (147,296)</u>	<u>\$ 134,321</u>	<u>\$ (12,975)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sanitary Landfill</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 964,559	\$ 111,658	\$ 1,076,217
Other	16,292	16,047	32,339
Total operating revenues	<u>980,851</u>	<u>127,705</u>	<u>1,108,556</u>
Operating expenses:			
Personal services	188,795	-	188,795
Contract services	259,529	100	259,629
Materials and supplies	105,740	6,130	111,870
Depreciation	31,465	-	31,465
Landfill closure and postclosure care costs	112,904	-	112,904
Utilities	4,773	32,846	37,619
Other	75,115	42,254	117,369
Total operating expenses.	<u>778,321</u>	<u>81,330</u>	<u>859,651</u>
Operating income	<u>202,530</u>	<u>46,375</u>	<u>248,905</u>
Nonoperating revenues:			
Interest revenue	69,348	-	69,348
Total nonoperating revenues	<u>69,348</u>	<u>-</u>	<u>69,348</u>
Change in net assets	271,878	46,375	318,253
Net assets (deficit) at beginning of year	<u>(419,174)</u>	<u>87,946</u>	<u>(331,228)</u>
Net assets (deficit) at end of year.	<u>\$ (147,296)</u>	<u>\$ 134,321</u>	<u>\$ (12,975)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from sales/service charges	\$ 942,251	\$ 113,904	\$ 1,056,155
Cash received from other operating revenue	16,399	16,047	32,446
Cash payments for personal services	(188,475)	-	(188,475)
Cash payments for contract services.	(259,529)	(100)	(259,629)
Cash payments for materials and supplies.	(107,146)	(2,672)	(109,818)
Cash payments for utilities	(4,773)	(32,846)	(37,619)
Cash payments for other expenses	(75,115)	(43,355)	(118,470)
Net cash provided by operating activities.	<u>323,612</u>	<u>50,978</u>	<u>374,590</u>
Cash flows from investing activities:			
Interest received	68,762	-	68,762
Net cash provided by investing actives	<u>68,762</u>	<u>-</u>	<u>68,762</u>
Net increase in cash and cash equivalents	392,374	50,978	443,352
Cash and cash equivalents at beginning of year	<u>1,544,614</u>	<u>86,780</u>	<u>1,631,394</u>
Cash and cash equivalents at end of year.	<u>\$ 1,936,988</u>	<u>\$ 137,758</u>	<u>\$ 2,074,746</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 202,530	\$ 46,375	\$ 248,905
Adjustments:			
Depreciation.	31,465	-	31,465
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable.	(22,201)	2,246	(19,955)
Decrease in materials and supplies inventory	16	-	16
(Increase) in prepayments	(2,130)	-	(2,130)
Increase (decrease) in accounts payable	(9,190)	429	(8,761)
Increase in accrued wages and benefits	671	-	671
Increase in due to other governments	7,585	1,928	9,513
Increase in pension obligation payable.	172	-	172
Increase in landfill closure and postclosure care liability.	112,904	-	112,904
Increase in compensated absences payable.	1,790	-	1,790
Net cash provided by operating activities	<u>\$ 323,612</u>	<u>\$ 50,978</u>	<u>\$ 374,590</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 DECEMBER 31, 2007

		Agency
Assets:		
Equity in pooled cash and cash equivalents	\$	5,756,201
Cash in segregated accounts		372,492
Receivables:		
Property and other taxes.		22,901,576
Accounts		78,386
Due from other governments		1,131,891
Special assessments		510,811
Accrued interest		9,027
 Total assets	 \$	 <u><u>30,760,384</u></u>
 Liabilities:		
Accounts payable.	\$	13,817
Due to other governments.		28,356,928
Deposits held and due to others		2,389,639
 Total liabilities	 \$	 <u><u>30,760,384</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its government activities, business-type activities and 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" as amended by GASB statement No. 39 "Determining Whether Certain Organizations are Component Units". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statements No. 14 and No. 39 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

JOINTLY GOVERNED ORGANIZATIONS

Maumee Valley Planning Organization

The Maumee Valley Planning Organization (MVPO) is a jointly governed organization among Henry, Defiance, Fulton, Paulding, and Williams Counties. The MVPO is an organization established to improve the social and economic conditions of the region through development and conservation. The MVPO is governed by a fifteen member executive council composed of the three county commissioners, the mayor of the largest municipality, three mayors selected by the committee of mayors that represent the incorporated cities and villages, the township trustee association president, the regional planning commission chairman, and two members at large to represent business, industry, labor, agricultural, low income, minority groups, education, and consumer protection activities. The County provides resources to the executive council based on a membership fee and services provided to the County. The MVPO exercises total control over the operation of MVPO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the MVPO. In 2007, Henry County contributed \$94,015 for the MVPO's operations. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

Fulton-Henry Counties Council

The County is a member of the Fulton-Henry Counties Council (the "Council") which is a jointly governed organization between Fulton and Henry Counties. The Council was formed under Ohio Revised Code Section 167.04 as a regional council of governments. The purpose of the Council is to foster cooperation among the two member counties in all areas of services. Total expenditures made by the County to the Council in 2007 were \$100,000.

Corrections Commission of Northwest Ohio

The Corrections Commission of Northwest Ohio (CCNO) is a jointly governed organization among Henry, Defiance, Fulton, Lucas, and Williams Counties and the City of Toledo. The CCNO was established to provide jail space for convicted criminals in the five counties and the City of Toledo and to provide a correctional center for the inmates. The CCNO was created in 1986 and occupancy started in 1991. The commission team consists of eighteen members; one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. The commission team exercises total control over the operation of the CCNO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CCNO. In 2007, Henry County contributed \$868,005 for the CCNO's operations. Information can be obtained from William Ott, Fiscal Manager, Corrections Commission of Northwest Ohio, 03151 County Road 2425, Stryker, Ohio 43557.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

The Four County Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) is a jointly governed organization among Henry, Defiance, Fulton, and Williams Counties to provide alcohol, drug addition, and mental health services to individuals in the four counties. The governing board of ADAMHS consists of eighteen members; four members appointed by the Ohio Director of Alcohol and Drug Addition Services, four members appointed by the Ohio Director of Mental Health Services, Defiance and Fulton County Commissioners appointing three members each, and Henry and Williams County Commissioners appointing two members each. The governing board exercises total control over the operation of the ADAMHS including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the ADAMHS. In 2007, Henry County contributed \$567,790 for the ADAMHS operations. Information can be obtained from Marlene J. Goodwin, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

Quadco Rehabilitation Center, Administrative Board

The Quadco Rehabilitation Center (Quadco) is a jointly governed organization among Henry, Defiance, Fulton, and Williams Counties. Quadco Rehabilitation Center is a nonprofit corporation which provides services and facilities for training physically and mentally disabled persons. Quadco is responsible for contracting with various agencies to obtain funding to operate the organization. Quadco is governed by an eight-member board composed of two appointees made by each of the four County Boards of Mental Retardation and Developmental Disabilities (County Boards of MRDD). This board, in conjunction with the County Boards of MRDD, assesses the needs of adult mentally challenged and developmentally disabled residents of each County and sets priorities based on available funds. The County provides resources to the Board based on units of service provided to the County. Quadco exercises total control over the operation of Quadco including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for Quadco. In 2007, Henry County contributed \$257,423 for Quadco's operations. Information can be obtained from Terry Fruth, CFO, Quadco Rehabilitation Center, 427 North Defiance Street, Stryker, Ohio 43557.

Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center

The Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center (Center) is a jointly governed organization among Henry, Defiance, Fulton, and Williams Counties. The Center's board of trustees consists of thirteen members; three from each County and one at-large member. The board of trustees exercises total control over the operation of the Center including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the Center. In 2007, Henry County contributed \$203,542 for the Center's operations which represents 32% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

Henry County Community Improvement Corporation

The Community Improvement Corporation of Henry County (CIC) is a jointly governed organization among Henry County, the City of Napoleon, and the respective villages and townships of Henry County. The purpose of the CIC is to promote and encourage the establishment and growth of industrial, commercial, distribution, and research facilities within member subdivisions. The CIC is governed by a board of trustees consisting of fifteen self-appointed members. Not less than two-fifths of the members are to be composed of elected officials. Five of these trustees include: a member of the Board of County Commissioners of Henry County, the Auditor of Henry County, the Mayor or his/her designated elected official of the City of Napoleon, another Mayor or his/her designated elected official from any Village in the County, and the President of the Henry County Trustees or his/her designated elected official. The remaining members represent private residents of Henry County or employees of Henry County businesses or firms. The County provides resources to the board of trustees based on a membership fee. The CIC exercises total control over the operation of CIC including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CIC. In 2007, Henry County contributed \$61,700 for the CIC's operations. Information can be obtained from Amanda Griffith, Executive Assistant, 104 E. Washington Street, Suite 301, Napoleon, Ohio 43545.

RELATED ORGANIZATIONS

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

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

B. Basis of Presentation and Measurement Focus

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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, 2007

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

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

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

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

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

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

FIDUCIARY FUNDS

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

D. Basis of Accounting

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

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 year in which the sales are made. 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2007, are recorded as deferred revenue.

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 costs, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

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

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the fall with respective officeholders and department heads.
2. Shortly after the beginning of the fiscal year, the County Commissioners pass an appropriation resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.
3. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The revised budget figures reflected in the budgetary statements include the prior year appropriations carried over for liquidations against prior year encumbrances, and any amendments to the original appropriation resolution.
5. The Commissioners appropriate at the fund, department and line item. For funds which are directly appropriated by the Commissioners, the transfer of appropriations at the fund, department and line item requires a resolution signed by at least two Commissioners.
6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2007.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

F. Cash and Investments

To improve cash management, cash received by the County other than cash in segregated accounts is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents" (both unrestricted and restricted) on the financial statements.

During fiscal year 2007, 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 2007 amounted to \$710,503 which includes \$561,868 assigned from other County funds.

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

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventories of Materials and Supplies

On the government-wide and fund financial statements, 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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.

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

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

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

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

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2007, 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, 2007, 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, 2007

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, 2007, 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 and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

L. Interfund Transactions

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

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the 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. The County had no interfund loans receivable/payable or advances to/from other funds outstanding at December 31, 2007.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

All other outstanding balances between funds are reported as “due to/from other funds.” These amounts are eliminated in the statement of net assets, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as “internal balances”. At December 31, 2007, there were no residual balances outstanding between the governmental activities and business-type activities, therefore, no internal balances are reported on the government-wide financial statements.

M. Fund Balance Reserves

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

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

N. Net Assets

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

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

O. Restricted Assets

Restricted assets in the business-type activities and on the enterprise fund financial statements represent investments required to be set aside by state and federal laws and regulations to finance closure and postclosure care costs of the County’s landfill.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County administration and that are either unusual in nature or infrequent in occurrence. During 2007, the County sold two parcels of land for a total of \$625,000. The proceeds from these sales are recorded in the courthouse project fund. The cost of the land (as reported in the County’s capital assets) was \$105,481 resulting in a gain from the sale of \$519,519. This amount is reported as a special item in the statement of activities. The County had no extraordinary items during 2007.

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Net Assets

	<u>Deficit</u>
<u>Major enterprise fund</u>	
Sanitary landfill	\$ 147,296

This fund complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit net asset balance in the sanitary landfill fund was due to the recording of a liability for closure and post closure costs associated with the landfill.

B. Change in Accounting Principles

For 2007, the County has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the County.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the County into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's Asset Reserve of Ohio Investment Pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in items (1) or (2) above or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year-end, the County had \$2,820 in undeposited cash on hand, of which \$420 is included on the financial statements as "Cash in segregated accounts" and \$2,400 is included on the financial statements of the County as part of "Equity in pooled cash and cash equivalents."

B. Cash in Segregated Accounts

At year-end, the County had \$397,565 cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the amount of "deposits with fiscal institutions" below.

C. Restricted Assets

The County had \$1,552,374 in restricted assets associated with the County landfill. This amount is included in the amount of "deposits with financial institutions" below.

D. Deposits with Financial Institutions

At December 31, 2007, the carrying amount of all County deposits was \$18,869,776, exclusive of the \$2,551,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, \$18,796,790 of the County's bank balance of \$19,307,145 was exposed to custodial risk as discussed below, while \$510,355 was covered by the Federal Deposit Insurance Corporation.

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

E. Investments

As of December 31, 2007, the County had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	Investment <u>Maturities</u> 6 months or less
Repurchase agreement	<u>\$ 2,551,000</u>	<u>\$ 2,551,000</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the County's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The federal agency securities that underlie the repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The County has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The County's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the County. Ohio law requires the market value of the securities subject to a repurchase agreement must exceed the principal value of securities subject to a repurchase agreement by 2%.

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase agreement	\$ 2,551,000	100.00%

F. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 18,869,776
Investments	2,551,000
Cash on hand	<u>2,820</u>
Total	<u>\$ 21,423,596</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 13,220,157
Business-type activities	2,074,746
Agency funds	<u>6,128,693</u>
Total	<u>\$ 21,423,596</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2007, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	\$ 634,030
Nonmajor governmental funds	<u>16,639</u>
Total transfers to nonmajor governmental funds	<u>\$ 650,669</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The \$16,639 transfer from the Grelton Waterline capital projects fund to the Grelton Waterline debt service fund, both nongovernmental funds are for principal and interest on the 1998 special assessment bonds. The County's transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

- B.** Due from/to other funds consisted of the following at December 31, 2007, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Public assistance	\$ 648
General	Nonmajor governmental funds	1,887
Public assistance	Nonmajor governmental funds	2,930
Motor vehicle and gas tax	General	4,955
Motor vehicle and gas tax	Nonmajor governmental funds	5,496
Motor vehicle and gas tax	Country view haven	186
Nonmajor governmental funds	Public assistance	<u>1,602</u>
Total due to/due from other funds		<u>\$ 17,704</u>

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

NOTE 6 - PROPERTY TAXES

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 12.5% for 2007. This percentage will be reduced to 6.25% for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2007-2010, the County will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2007, was \$11.70 per \$1,000 of assessed valuation. The full tax rate for debt service is \$1.40 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

<u>Real Property</u>	
Agricultural	\$ 71,692,560
Residential	335,928,990
Commercial/Industrial/Mineral	55,296,790
Tangible personal property	27,497,470
<u>Public Utility</u>	
Real	400,820
Personal	17,466,490
Total assessed value	<u>\$ 508,283,120</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

"Property and other taxes" receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007 and for which there is an enforceable legal claim. In the governmental funds, the current portion of the receivable has been offset by "unearned revenue" since the current taxes were not levied to finance 2007 operations and the delinquent portion of the receivable has been offset by "deferred revenue" since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The 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 prior year, the voters approved a .5% tax on sales with collection beginning on April 1, 2007. In 1987, the County Commissioners by resolution imposed a 1% percent tax on all retail sales (except sales of motor vehicles) made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of the month of collection. 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. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2007 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 2007 amounted to \$3,224,182 as reported on the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2007, consisted of taxes, accrued interest, loans, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due from other governments" on the financial statements. All interfund transactions related to charges for goods and services rendered have been classified as "Due from other funds" on the fund financial statements which are eliminated on the government-wide statements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 8 - RECEIVABLES - (Continued)

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

	<u>Amount</u>
<u>Governmental Activities:</u>	
Sales taxes	\$ 927,408
Property and other taxes	5,329,235
Accounts	62,884
Due from other governments	4,877,280
Special assessments	397,742
Accrued interest	64,392
Loans	997,789
<u>Business-Type Activities:</u>	
Accounts	38,832
Accrued interest	10,194

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 2007 is as follows:

	<u>Balance</u> <u>12/31/06</u>	<u>Issued</u>	<u>Received</u>	<u>Balance</u> <u>12/31/07</u>
Revolving loans	<u>\$ 1,246,994</u>	<u>\$ -</u>	<u>\$ (249,205)</u>	<u>\$ 997,789</u>

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2007, was as follows:

	Balance 12/31/06	Additions	Disposals	Balance 12/31/07
<u>Governmental Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,762,289	\$ -	\$ (105,481)	\$ 1,656,808
Total capital assets, not being depreciated	1,762,289	-	(105,481)	1,656,808
<i>Capital assets, being depreciated:</i>				
Building and improvements	24,338,702	-	-	24,338,702
Machinery and equipment	1,350,156	123,215	(102,550)	1,370,821
Vehicles	4,410,203	697,363	(402,383)	4,705,183
Infrastructure	31,504,059	2,046,584	-	33,550,643
Total capital assets, being depreciated	61,603,120	2,867,162	(504,933)	63,965,349
<i>Less: accumulated depreciation:</i>				
Building and improvements	(12,056,583)	(729,062)	-	(12,785,645)
Machinery and equipment	(906,442)	(81,737)	89,508	(898,671)
Vehicles	(2,361,459)	(266,652)	319,260	(2,308,851)
Infrastructure	(11,651,973)	(1,085,743)	-	(12,737,716)
Total accumulated depreciation	(26,976,457)	(2,163,194)	408,768	(28,730,883)
Total capital assets being depreciated, net	34,626,663	703,968	(96,165)	35,234,466
Governmental activities capital assets, net	\$ 36,388,952	\$ 703,968	\$ (201,646)	\$ 36,891,274

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

Governmental Activities:	
General government:	
Legislative and executive	\$ 564,390
Judicial	31,896
Public safety	85,802
Public works	1,225,647
Health	53,321
Human services	185,614
Other	16,524
Total depreciation expense - governmental activities	\$ 2,163,194

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 10 - CAPITAL ASSETS - (Continued)

<u>Business-Type Activities:</u>	Balance 12/31/06	Additions	Deductions	Balance 12/31/07
<i>Capital assets, not being depreciated:</i>				
Land	\$ 277,435	\$ -	\$ -	\$ 277,435
Total capital assets, not being depreciated	<u>277,435</u>	<u>-</u>	<u>-</u>	<u>277,435</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	74,745	-	-	74,745
Machinery and equipment	76,783	-	-	76,783
Vehicles	795,299	-	-	795,299
Total capital assets, being depreciated	<u>946,827</u>	<u>-</u>	<u>-</u>	<u>946,827</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(59,796)	(1,495)	-	(61,291)
Machinery and equipment	(22,070)	(5,424)	-	(27,494)
Vehicles	(679,738)	(24,546)	-	(704,284)
Total accumulated depreciation	<u>(761,604)</u>	<u>(31,465)</u>	<u>-</u>	<u>(793,069)</u>
Total capital assets, being depreciated net	<u>185,223</u>	<u>(31,465)</u>	<u>-</u>	<u>153,758</u>
Business-type activities capital assets, net	<u>\$ 462,658</u>	<u>\$ (31,465)</u>	<u>\$ -</u>	<u>\$ 431,193</u>

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

Business-Type Activities:	
Sanitary landfill	<u>\$ 31,465</u>

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the County entered into a capital lease obligations for acquisition of survey equipment and copier equipment. These 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 capital outlay expenditure and an other financing source in the appropriate fund. On the government-wide financial statements, a corresponding liability has been recorded for the present value of the future minimum lease payments in the amount of \$5,124. At December 31, 2007, the copier equipment has been capitalized in the amount of \$26,716 with a total of \$17,175 in accumulated depreciation leaving a book value of \$9,541. At December 31, 2007, the survey equipment has been capitalized in the amount of \$6,653 with a total of \$1,524 in accumulated depreciation leaving a book value of \$5,129.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

Principal payments in 2007 totaled \$5,768 in the county board of MRDD fund and \$1,222 in the motor vehicle and gas tax fund. The obligation for the survey equipment was paid off during 2007. Capital lease payments 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 future minimum lease payments as of December 31, 2007.

<u>Year Ending</u> <u>December 31,</u>	<u>Copier</u> <u>Equipment</u>
2008	\$ <u>5,290</u>
Total future minimum lease payments	5,290
Less: amount representing interest	<u>(166)</u>
Present value of net minimum lease payments	<u>\$ 5,124</u>

NOTE 12 - COMPENSATED ABSENCES

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

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

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

At December 31, 2007, vested benefits for vacation leave for governmental activities employees totaled \$573,535 and vested benefits for sick leave totaled \$240,232. In addition, the County has recorded a liability in the governmental funds in the amount of \$37,739 for employees who have notified the County by December 31, 2007 of their intent to retire. These amounts represent the total vested benefits and are reported in the government-wide financial statements. For business-type activities, vested benefits for vacation leave totaled \$4,362. 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 \$684,481 for governmental activities employees and \$19,106 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, 2007

NOTE 13 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During the fiscal year 2007, the following changes occurred in the County's governmental long-term obligations:

	Original Amount <u>Issued</u>	Balance <u>12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/07</u>	Amount Due in <u>One Year</u>
<u>General Obligation Bonds:</u>						
2003 - 5% Grelton waterline bond	\$ 27,000	\$ 25,000	\$ -	\$ (2,000)	\$ 23,000	\$ 1,000
Total general obligation bonds	<u>27,000</u>	<u>25,000</u>	<u>-</u>	<u>(2,000)</u>	<u>23,000</u>	<u>1,000</u>
<u>OWDA Loans:</u>						
1990 - 2% Texas waterline project	291,706	102,855	-	(12,852)	90,003	13,109
2002 - 3% Silgan Can waterline	398,038	398,038	-	(37,190)	360,848	76,063
2002 - 5.64% Water and sewer district	<u>110,093</u>	<u>105,140</u>	<u>4,953</u>	<u>-</u>	<u>110,093</u>	<u>110,093</u>
Total OWDA loans	<u>799,837</u>	<u>606,033</u>	<u>4,953</u>	<u>(50,042)</u>	<u>560,944</u>	<u>199,265</u>
<u>Special Assessment Bonds with Governmental Commitment:</u>						
1995 - 6.15% to 9.9%	345,000	60,000	-	(20,000)	40,000	15,000
1998 - 4.75%	<u>211,925</u>	<u>148,255</u>	<u>-</u>	<u>(9,554)</u>	<u>138,701</u>	<u>9,554</u>
Total special assessment bonds	<u>556,925</u>	<u>208,255</u>	<u>-</u>	<u>(29,554)</u>	<u>178,701</u>	<u>24,554</u>
<u>Notes Payable:</u>						
Courthouse project - 4.25%	3,145,000	3,145,000	-	(3,145,000)	-	-
Certificate of Title building - 4.25%	45,000	45,000	-	(45,000)	-	-
Ridgeville turn lane - 4.25%	115,000	115,000	-	(115,000)	-	-
Courthouse project - 4.50%	2,410,000	-	2,410,000	-	2,410,000	2,410,000
Certificate of Title building - 4.50%	40,000	-	40,000	-	40,000	40,000
Ridgeville turn lane - 4.50%	<u>110,000</u>	<u>-</u>	<u>110,000</u>	<u>-</u>	<u>110,000</u>	<u>110,000</u>
Total notes payable	<u>5,865,000</u>	<u>3,305,000</u>	<u>2,560,000</u>	<u>(3,305,000)</u>	<u>2,560,000</u>	<u>2,560,000</u>
<u>Other Obligations:</u>						
Compensated absences	N/A	1,573,398	656,944	(694,355)	1,535,987	611,274
Mortgage loan - 2%	100,000	77,223	-	(6,235)	70,988	6,360
Capital lease obligations	<u>26,716</u>	<u>12,114</u>	<u>-</u>	<u>(6,990)</u>	<u>5,124</u>	<u>5,124</u>
Total other obligations	<u>126,716</u>	<u>1,662,735</u>	<u>656,944</u>	<u>(707,580)</u>	<u>1,612,099</u>	<u>622,758</u>
Total governmental activities long-term obligations	<u>\$ 7,375,478</u>	<u>\$ 5,807,023</u>	<u>\$ 3,221,897</u>	<u>\$ (4,094,176)</u>	<u>\$ 4,934,744</u>	<u>\$ 3,407,577</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds

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

Special Assessment Bonds

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

Ohio Water Development Authority Loans

In 1990, the County entered into a loan with the Ohio Water Development Authority (OWDA) for the construction of the Texas Waterline project. Semi-annual payments are due through 2014 with an interest rate of 2%. During 2002, the County entered into a loan agreement with the OWDA as an incentive for the location of a new waterline for the Silgan Can Company. Repayment of this loan will be funded through tax increment financing (TIF) payments made by Silgan Can Company. Beginning July 1, 2007, semi-annual TIF payments will be made to the County and subsequently remitted to the OWDA. The loan is amortized over a period of ten years. Also, during 2002, the County also entered into a loan agreement with the OWDA for the formation of a water and sewer district. Repayment of this loan will be funded by user charges collected by the County. The project was not completed during 2007, however, the County will be required to make a balloon payment in 2008, which is included in the future debt service requirement schedule below.

Mortgage Loan

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

Notes Payable

During 2006, the County issued \$3,145,000 of bond anticipation notes at 4.25% to finance the purchase and renovation of a courthouse building at Oakwood Commons. These notes were retired during 2007, and reissued for \$2,410,000 at 4.50%. The proceeds of the new note issue and the retirement of the previous note issue has been recorded in the courthouse project fund.

During 2006, the County issued \$45,000 of bond anticipation notes at 4.25% to finance improvements of the Certificate of Title building. These notes were retired during 2007, and reissued for \$40,000 at 4.50%. The proceeds of the new note issue and the retirement of the previous note issue has been recorded in the nonmajor governmental funds.

During 2006, the County issued \$115,000 in notes at 4.25% to finance improvements of the Ridgedale turn lane. These notes were retired during 2007, and reissued for \$110,000 at 4.50%. The proceeds of the new note issue and the retirement of the previous note issue has been recorded in the nonmajor governmental funds.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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

Compensated Absences

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

Capital Leases Payable

Capital lease principal and interest payments are being made from the county board of MRDD fund and the motor vehicle and gas tax 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:

Fiscal Year Ended	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	2,000	83	2,083	15,050	5,089	20,139
2011	2,000	75	2,075	14,050	4,901	18,951
2012	2,000	67	2,067	15,050	4,776	19,826
2013 - 2017	10,000	208	10,208	59,707	15,358	75,065
2018 - 2019	4,000	25	4,025	23,736	1,029	24,765
Total	<u>\$ 23,000</u>	<u>\$ 646</u>	<u>\$ 23,646</u>	<u>\$ 178,701</u>	<u>\$ 49,383</u>	<u>\$ 228,084</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ended	OWDA Loans			Mortgage Loan		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 199,265	\$ 12,059	\$ 211,324	\$ 6,360	\$ 1,362	\$ 7,722
2009	91,732	9,498	101,230	6,489	1,233	7,722
2010	94,368	6,862	101,230	6,620	1,102	7,722
2011	97,082	4,149	101,231	6,753	969	7,722
2012	56,713	1,357	58,070	6,890	932	7,822
2013 - 2017	21,784	578	22,362	36,592	2,018	38,610
2018	-	-	-	1,284	3	1,287
Total	<u>\$ 560,944</u>	<u>\$ 34,503</u>	<u>\$ 595,447</u>	<u>\$ 70,988</u>	<u>\$ 7,619</u>	<u>\$ 78,607</u>

B. Business-Type Long-Term Obligations

During fiscal year 2007, the following changes occurred in the County's business-type long-term obligations:

	Balance 12/31/06	Additions	Reductions	Balance 12/31/07	Due in One Year
Landfill closure and postclosure care liability	\$ 2,388,709	\$ 112,904	\$ -	\$ 2,501,613	\$ -
Compensated absences	<u>21,678</u>	<u>1,790</u>	<u>-</u>	<u>23,468</u>	<u>4,362</u>
Total	<u>\$ 2,410,387</u>	<u>\$ 114,694</u>	<u>\$ -</u>	<u>\$ 2,525,081</u>	<u>\$ 4,362</u>

Landfill Closure and Postclosure Care Liability

See Note 21 for information on this liability.

Compensated Absences

Compensated absences will be paid from the sanitary landfill fund.

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, the County's voted legal debt margin was \$10,666,977 at December 31, 2007 and the unvoted legal debt margin was \$4,992,434 at December 31, 2007.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 14 - RISK MANAGEMENT

A. Property and Liability Insurance

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

During 2007, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for liability, property, automotive, and crime insurance. The CORSA program has a \$2,500 deductible. Coverage provided by CORSA is as follows:

	<u>Amount</u>
General Liability (per occurrence)	\$ 1,000,000
Law Enforcement Liability (per occurrence)	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.

B. Fulton-Henry Counties Employee Insurance Benefits Program

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 14 - RISK MANAGEMENT - (Continued)

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

NOTE 15 - PENSION PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement under the Traditional Pension Plan, were required to contribute 9.5% of their annual covered salaries. Members participating in the Traditional Pension Plan that were in law enforcement contributed 10.1% of their annual covered salary. The County's contribution rate for pension benefits for 2007 was 8.85% for the period January 1, 2007 through June 30, 2007 and 7.85% for the period July 1, 2007 through December 31, 2007, except for those plan members in law enforcement and public safety. For those classifications, the County's pension contributions were 12.17% of covered payroll for the period January 1, 2007 through June 30, 2007 and 11.17% of covered payroll for the period July 1, 2007 through December 31, 2007. The Ohio Revised Code provides statutory authority for member and employer contributions. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2007, 2006, and 2005 were \$602,308, \$710,513, and \$863,992, respectively; 89.98% has been contributed for 2007 and 100% has been contributed for 2006 and 2005.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 15 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. 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 Ohio 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% 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.

For the year ended December 31, 2007, plan members were required to contribute 10% of their annual covered salary and the County was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's required contribution for pension obligations for the DBP for the years ended December 31, 2007, 2006, and 2005 was \$134,163, \$133,429 and \$143,921, respectively; 100% has been contributed for fiscal years 2007, 2006 and 2005. There were no contributions for the DCP and CP for the year ended December 31, 2006.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 16 - POST-EMPLOYMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional Pension 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 post-employment health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the Traditional Pension or Combined Plans is set aside for the funding of post-employment health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85% of covered payroll (17.17% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care for the period January 1, 2007 through June 30, 2007 and 6.00% of covered payroll was the portion that was used to fund health care for the period July 1, 2007 through December 31, 2007.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50%, 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 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 5.00% for the next eight years. In subsequent years, (nine and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the Traditional Pension and Combined Plans was 374,979 as of December 31, 2007. The County's actual employer contributions for 2007 which were used to fund post-employment benefits were \$376,519. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. At December 31, 2006 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

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

B. State Teachers Retirement System of Ohio

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). 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 Ohio based on authority granted by State statute. STRS Ohio is funded on a pay-as-you-go basis.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 16 - POST-EMPLOYMENT BENEFIT PLANS - (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended December 31, 2007, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the County, this amount was \$10,320.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265.558 million, and STRS Ohio had 122,934 eligible benefit recipients.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balances

	Major Governmental Funds				
	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of MRDD</u>	<u>Public Assistance</u>
Budget basis	\$ 1,177,231	\$ (959,854)	\$ (60,811)	\$ 197,574	\$ 21,043
Net adjustment for revenue accruals	(290,428)	(25,854)	(122,539)	(90,251)	(273,137)
Net adjustment for expenditure accruals	606,506	(5,912)	(98,656)	39,933	393,017
Net adjustment for other financing sources/(uses) accruals	(361,580)	-	-	-	-
Encumbrances (budget basis)	<u>150,653</u>	<u>24,808</u>	<u>221,651</u>	<u>112,828</u>	<u>-</u>
GAAP basis	<u>\$ 1,282,382</u>	<u>\$ (966,812)</u>	<u>\$ (60,355)</u>	<u>\$ 260,084</u>	<u>\$ 140,923</u>

NOTE 18 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 19 - PUBLIC ENTITY RISK POOL

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 19 - PUBLIC ENTITY RISK POOL - (Continued)

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

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2007 was \$151,612.

NOTE 20 - CONDUIT DEBT OBLIGATIONS

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

At December 31, 2007, health care facility revenue bonds outstanding aggregated \$2,095,000.

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

At December 31, 2007, Facilities Improvement Revenue Bonds outstanding aggregated \$10,000,000.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 21 - CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require that the County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,501,613 as of December 31, 2007, which is based on approximately 88% usage (filled) of the landfill. It is estimated that an additional \$317,313 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 \$2,818,926 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, 2007. 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, 2007, cash and cash equivalents of \$1,552,374 are held for these purposes. These investments are held and managed by the County and are presented on the County's financial statements as "Restricted assets: Equity in pooled cash and cash equivalents". It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

NOTE 22 - SIGNIFICANT SUBSEQUENT EVENTS

On March 20, 2008, the County retired the \$40,000 Certificate of Title Building notes and reissued new notes in the amount of \$35,000 at 3.4% with a maturity date of March 20, 2009.

On March 20, 2008, the County retired the \$2,410,000 Courthouse Project at Oakmeadows notes and reissued new notes in the amount of \$1,455,000 at 3.4% with a maturity date of March 20, 2009.

On March 20, 2008, the County retired the \$110,000 Ridgeville Turn Lane notes and reissued new notes in the amount of \$105,000 at 3.4% with a maturity date of March 20, 2009.

On March 20, 2008, the county issued \$500,000 Child Support Enforcement Agency (CSEA) notes. These notes are for improvements to the CSEA facilities. The notes bear an interest rate of 3.4% and are scheduled to mature March 20, 2009.

SUPPLEMENTARY DATA

HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

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:				
(A) Food Donation	10.550	N/A	\$ -	\$ 2,891
(B) National School Lunch Program	10.555	06635-LLPH-2006	15,056	-
Total U.S. Department of Agriculture			<u>15,056</u>	<u>2,891</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT OFFICE OF HOUSING AND COMMUNITY PARTNERSHIP:				
Community Development Block Grants/State's Program	14.228	B-C-06-032-1	110,000	-
Community Development Block Grants/State's Program	14.228	B-F-05-032-1	97,940	-
Community Development Block Grants/State's Program	14.228	B-C-06-032-1	8,500	-
(F) Community Development Block Grants/State's Program	14.228	N/A	514,211	-
(G) Community Development Block Grants/State's Program	14.228	N/A	112,907	-
Total Community Development Block Grant			<u>843,558</u>	<u>-</u>
HOME Investment Partnerships Program	14.239	B-C-06-032-2	51,526	-
Total U.S. Department of Housing and Urban Development			<u>895,084</u>	<u>-</u>
U.S. DEPARTMENT OF JUSTICE PASSED THROUGH THE OHIO DEPARTMENT OF YOUTH SERVICES:				
Juvenile Accountability Incentive Block Grants	16.523	2005-JB-015-B047	13,875	-
Total U.S. Department of Justice			<u>13,875</u>	<u>-</u>
U.S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES:				
(E) WIA Adult Program	17.258	N/A	92,145	-
Total Workforce Investment Act - Adult			<u>92,145</u>	<u>-</u>
(E) WIA Youth Activities:	17.259	N/A	70,162	-
Total Workforce Investment Act - Youth Activities			<u>70,162</u>	<u>-</u>
(E) WIA Dislocated Workers	17.260	N/A	157,462	-
Total Workforce Investment Act - Dislocated Worker			<u>157,462</u>	<u>-</u>
Total Workforce Investment Cluster			<u>319,769</u>	<u>-</u>
Total U.S. Department of Labor			<u>319,769</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Special Education Cluster:				
(D) Special Education- Grants to States	84.027	066365-6B-SF-07	32,805	-
(D) Special Education- Grants to States	84.027	066365-6B-SF-08	35,134	-
Total Special Education-Grants to States			<u>67,939</u>	<u>-</u>
(D) Special Education- Preschool Grants:	84.173	066365-PG-S1-07	35,958	-
(D) Special Education- Preschool Grants:	84.173	066365-PG-S1-08	25,652	-
Total Special Education- Preschool Grant			<u>61,610</u>	<u>-</u>
Total Special Education Cluster			<u>129,549</u>	<u>-</u>
State Grants for Innovative Programs	84.298	066365-C2S1-2007	141	-
Total State Grants for Innovative Programs			<u>141</u>	<u>-</u>
Total U.S. Department of Education			<u>129,690</u>	<u>-</u>

**HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

- Continued

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- Grants for Supportive Services and Senior Centers	93.044	N/A	29,241	-
PASSED THROUGH QUADCO REHABILITATION CENTER:				
Social Services Block Grant	93.667	N/A	3,080	-
PASSED THROUGH THE OHIO DEVELOPMENT OF MENTAL RETARDATION AND DEVELOPMENT DISABILITIES:				
Medical Assistance Program - Medicaid Title XIX	93.778	N/A	1,224,794	-
Total U.S. Department of Health and Human Services			<u>1,257,115</u>	<u>-</u>
U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT DISASTER ASSISTANCE PASSED THROUGH THE OHIO DEPARTMENT OF EMERGENCY MANAGEMENT DISASTER ASSISTANCE:				
Emergency Management Performance Grants	97.042	2007-EM-E7-0024	25,092	-
Citizens Corp Program Grant	97.053	2006-GC-T6-0051	9,700	-
State Homeland Security Program	97.073	2006-GE-T6-0051	27,985	-
Total U.S. Department of Homeland Security			<u>62,777</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 2,693,366</u>	<u>\$ 2,891</u>

- (A) The Food Distribution Program is a noncash, federal grant.
- (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (C) This schedule was prepared on the cash basis of accounting.
- (D) Included as part of the "Special Education Grant Cluster" in determining major programs.
- (E) Included as part of the Workforce Investment Act Cluster and prepared on the accrual basis of accounting.
- (F) The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on this schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the schedule. These loans are collateralized by mortgages on the property. The County incurred \$12,344 in administrative and other costs during 2007.

Activity in the Community Development Block Grant revolving loan fund during 2007 is as follows:

Beginning loans receivable balance as of January 1, 2007	\$ 1,098,532
Loans Disbursed	-
Loan Repayments	(216,916)
Ending loans receivable balance as of December 31, 2007	<u>\$ 881,616</u>

Cash balance on hand as of December 31, 2007	\$ 501,867
Delinquent amounts due as of December 31, 2007	\$ -

- (G) The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on this schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the schedule. These loans are collateralized by mortgages on the property. The County incurred \$2,897 in administrative and other costs during 2007.

Activity in the Community Development Block Grant revolving loan fund during 2007 is as follows:

Beginning loans receivable balance as of January 1, 2007	\$ 148,462
Loans Disbursed	-
Loan Repayments	(32,289)
Ending loans receivable balance as of December 31, 2007	<u>\$ 116,173</u>

Cash balance on hand as of December 31, 2007	\$ 110,010
Delinquent amounts due as of December 31, 2007	\$ 21,616

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



Julian & Grube, Inc.
Serving Ohio Local Governments

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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
660 North Perry Street
Napoleon, Ohio 43545

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio, as of and for the year ended December 31, 2007, which collectively comprise Henry County's basic financial statements and have issued our report thereon dated June 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Board of Commissioners
Henry County

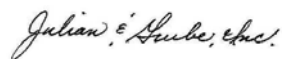
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Henry County in a separate letter dated June 26, 2008.

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



Julian & Grube, Inc.
June 26, 2008



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

Compliance

We have audited the compliance of Henry County, Ohio, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Henry County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

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

Board of Commissioners
Henry County

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

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

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

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

Julian & Grube, Inc.

Julian & Grube, Inc.
June 26, 2008

HENRY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

OMB CIRCULAR A-133 § .505

DECEMBER 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Medicaid Title XIX, CFDA #93.778; Community Development Block Grants/State's Program, CFDA #14.228
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

HENRY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

OMB CIRCULAR A-133 § .505

DECEMBER 31, 2007

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

HENRY COUNTY

STATUS OF PRIOR AUDIT FINDINGS

OMB CIRCULAR A-133 § .505(b)

DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer <u>Valid</u>; Explain:
2006-HC-001	Ohio Revised Code 5705.39 in part states that no appropriation measure is effective until Henry County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.	Yes	N/A



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 18, 2008**