



Dave Yost • Auditor of State

**HENRY COUNTY
DECEMBER 31, 2016**

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DECEMBER 31, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Henry County
660 North Perry Street
P.O. Box 546
Napoleon, Ohio 43545-0546

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Country View Haven, Public Assistance, Motor Vehicle and Gas Tax, County Board of DD, and Senior Center funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2017, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 21, 2017

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HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED

The management's discussion and analysis of Henry County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2016. 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 2016 are as follows:

- The total net position of the County increased \$2,704,248. Net position of governmental activities increased \$2,725,193 from the 2015 net position. Net position of business-type activities decreased \$20,945, which represents a 2.94% decrease from the 2015 net position.
- General revenues accounted for \$13,867,956 or 46.57% of total governmental activities revenue. Program specific revenues accounted for \$15,911,942 or 53.43% of total governmental activities revenues.
- The County had \$27,054,705 in expenses related to governmental activities. \$15,911,942 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$13,867,956 were adequate to provide for these programs.
- The County's major governmental funds are the General fund, Country View Haven fund, Public Assistance fund, Motor Vehicle and Gas Tax fund, County Board of Developmentally Disabled (DD) fund and the Senior Center fund. The General fund, the County's largest major fund, had revenues and other financing sources of \$9,422,205 in 2016, an increase of \$192,726 or 2.09% from 2015 revenues. The General fund had expenditures and other financing uses of \$9,023,020 in 2016, a increase of \$472,798 or 5.53% from 2015. The General fund balance increased \$399,185 or 5.82% from 2015 to 2016.
- The Country View Haven fund, a County major fund, had revenues of \$1,383,522 in 2016. The Country View Haven fund had expenditures of \$1,502,276 in 2016. The Country View Haven fund balance decreased \$118,754 or 7.46% from 2015 to 2016.
- The Public Assistance fund, a County major fund, had revenues of \$1,873,457 in 2016. The Public Assistance fund had expenditures of \$1,882,166 in 2016. The Public Assistance fund balance decreased \$8,709 or 1.45% from 2015 to 2016.
- The Motor Vehicle and Gas Tax fund, a County major fund, had revenues of \$4,553,125 in 2016. The Motor Vehicle and Gas Tax fund had expenditures of \$3,852,703 in 2016. The Motor Vehicle and Gas Tax fund balance increased \$700,422 or 29.45% from 2015 to 2016.
- The County Board of DD fund, a County major fund, had revenues of \$4,914,972 in 2016. The County Board of DD fund had expenditures of \$4,345,332 in 2016. The County Board of DD fund balance increased \$569,640 or 22.38% from 2015 to 2016.
- The Senior Center fund, a County major fund, had revenues of \$708,819 in 2016. The Senior Center fund had expenditures of \$820,248 in 2016. The Senior Center fund decreased \$111,429 or 23.94% from 2015 to 2016.
- Net position for the business-type activities, which include the Sanitary Landfill, Tower, Hahn Center and Monroe Township landfill fees enterprise funds, decreased in 2016 by \$20,945 or 2.94%.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED (Continued)

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 Position 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 on the County as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities answer the question, "How did we do financially during 2016?" These statements include all assets, deferred outflows, liabilities, deferred inflows, 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 position and changes in that position. This change in net position 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 Position and the Statement of Activities, the County is divided into two distinct kinds of activities:

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED (Continued)

on the County's most significant funds. The County's major governmental funds are the General fund, Country View Haven fund, the Public Assistance fund, Motor Vehicle and Gas Tax fund, the County Board of Developmentally Disabled (DD) fund and the Senior Center fund.

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.

Proprietary Funds

The County maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Sanitary Landfill, Tower, Hahn Center and Monroe Township landfill fees operations. The Sanitary Landfill fund is the County's only major enterprise fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County has no internal service funds.

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.

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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED (Continued)

Government-wide Financial Analysis

The Statement of Net Position provides the perspective of the County as a whole. The table below provides a summary of the County's net position at December 31, 2016 and December 31, 2015.

	Net Position					
	Governmental Activities 2016	Business-type Activities 2016	Governmental Activities 2015	Business-type Activities 2015	2016 Total	2015 Total
Assets:						
Current and other assets	\$ 37,292,822	\$ 922,694	\$ 34,191,508	\$ 934,217	\$ 38,215,516	\$ 35,125,725
Capital assets, net	<u>37,942,302</u>	<u>809,054</u>	<u>36,946,406</u>	<u>858,459</u>	<u>38,751,356</u>	<u>37,804,865</u>
Total assets	<u>75,235,124</u>	<u>1,731,748</u>	<u>71,137,914</u>	<u>1,792,676</u>	<u>76,966,872</u>	<u>72,930,590</u>
Deferred outflows:	<u>5,077,215</u>	<u>69,232</u>	<u>1,591,002</u>	<u>21,727</u>	<u>5,146,447</u>	<u>1,612,729</u>
Liabilities:						
Long-term liabilities outstanding	14,739,811	2,517,058	10,867,290	2,494,561	17,256,869	13,361,851
Other liabilities	<u>1,500,431</u>	<u>10,926</u>	<u>1,212,533</u>	<u>29,106</u>	<u>1,511,357</u>	<u>1,241,639</u>
Total liabilities	<u>16,240,242</u>	<u>2,527,984</u>	<u>12,079,823</u>	<u>2,523,667</u>	<u>18,768,226</u>	<u>14,603,490</u>
Deferred inflows:	<u>7,443,346</u>	<u>5,459</u>	<u>6,745,535</u>	<u>2,254</u>	<u>7,448,805</u>	<u>6,745,535</u>
Net position:						
Net investment in capital assets	37,889,799	809,054	36,874,571	858,459	38,698,853	37,733,030
Restricted	14,459,711	-	17,360,518	-	14,459,711	17,360,518
Unrestricted (deficit)	<u>4,279,241</u>	<u>(1,541,517)</u>	<u>(331,531)</u>	<u>(1,569,977)</u>	<u>2,737,724</u>	<u>(1,901,508)</u>
Total net position (deficit)	<u>\$ 56,628,751</u>	<u>\$ (732,463)</u>	<u>\$ 53,903,558</u>	<u>\$ (711,518)</u>	<u>\$ 55,896,288</u>	<u>\$ 53,192,040</u>

During 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the County's proportionate share of each plan's collective:

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED (Continued)

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the County's assets and deferred outflows exceeded liabilities and deferred inflows by \$55,896,288. This amounts to \$56,628,751 in governmental activities and a deficit of \$732,463 in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the County's net position. At year-end, capital assets represented 50.35% of total governmental and business-type assets. Capital assets include land, construction and progress, buildings and improvements, machinery and equipment, vehicles and infrastructure. The net investments in capital assets at December 31, 2016, were \$38,698,853. 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 17.

A portion of the County's governmental activities net position, \$14,459,711 or 25.53%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net position is a balance of \$4,279,241.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED (Continued)

The table below shows the changes in net position for governmental and business-type activities for 2016 and 2015.

	Change in Net Position					
	Governmental	Business-type	Governmental	Business-type	2016	2015
	Activities	Activities	Activities	Activities	Total	Total
	2016	2016	2015	2015		
Revenues:						
Program revenues:						
Charges for services and sales	\$ 4,011,716	\$ 382,167	\$ 4,277,699	\$ 374,950	\$ 4,393,883	\$ 4,652,649
Operating grants and contributions	11,336,969	-	10,653,932	-	11,336,969	10,653,932
Capital grants and contributions	563,257	-	997,216	-	563,257	997,216
Total program revenues	<u>15,911,942</u>	<u>382,167</u>	<u>15,928,847</u>	<u>374,950</u>	<u>16,294,109</u>	<u>16,303,797</u>
General revenues:						
Property taxes	7,603,905	-	6,666,309	-	7,603,905	6,666,309
Sales tax	4,219,737	-	4,003,496	-	4,219,737	4,003,496
Unrestricted grants	1,473,876	-	1,971,620	-	1,473,876	1,971,620
Investment earnings	80,037	1,913	79,543	1,465	81,950	81,008
Miscellaneous	490,401	-	385,185	-	490,401	385,185
Total general revenues	<u>13,867,956</u>	<u>1,913</u>	<u>13,106,153</u>	<u>1,465</u>	<u>13,869,869</u>	<u>13,107,618</u>
Total revenues	<u>29,779,898</u>	<u>384,080</u>	<u>29,035,000</u>	<u>376,415</u>	<u>30,163,978</u>	<u>29,411,415</u>
Expenses:						
Program expenses:						
General government	4,301,960	-	4,618,361	-	4,301,960	4,618,361
Public safety	3,700,640	-	3,674,323	-	3,700,640	3,674,323
Public works	4,802,030	-	6,648,119	-	4,802,030	6,648,119
Health	1,804,508	-	1,957,880	-	1,804,508	1,957,880
Human services	9,769,856	-	10,471,677	-	9,769,856	10,471,677
Economic development	1,307,119	-	920,522	-	1,307,119	920,522
Transportation	544,836	-	511,370	-	544,836	511,370
Intergovernmental	296,415	-	295,628	-	296,415	295,628
Other	522,490	-	309,045	-	522,490	309,045
Interest and fiscal charges	4,851	-	9,214	-	4,851	9,214
Sanitary landfill	-	345,547	-	371,997	345,547	371,997
Other business-type activities:						
Tower fund	-	15,993	-	29,660	15,993	29,660
Hahn Center	-	42,696	-	84,741	42,696	84,741
Monroe Township landfill fees	-	789	-	764	789	764
Total expenses	<u>27,054,705</u>	<u>405,025</u>	<u>29,416,139</u>	<u>487,162</u>	<u>27,459,730</u>	<u>29,903,301</u>
Change in net position	2,725,193	(20,945)	(381,139)	(110,747)	2,704,248	(491,886)
Net position (deficit) at beginning of year	<u>53,903,558</u>	<u>(711,518)</u>	<u>54,284,697</u>	<u>(600,771)</u>	<u>53,192,040</u>	<u>53,683,926</u>
Net position (deficit) at end of year	<u>\$ 56,628,751</u>	<u>\$ (732,463)</u>	<u>\$ 53,903,558</u>	<u>\$ (711,518)</u>	<u>\$ 55,896,288</u>	<u>\$ 53,192,040</u>

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)

Governmental Activities

Governmental net position increased by \$2,725,193 in 2016 from 2015.

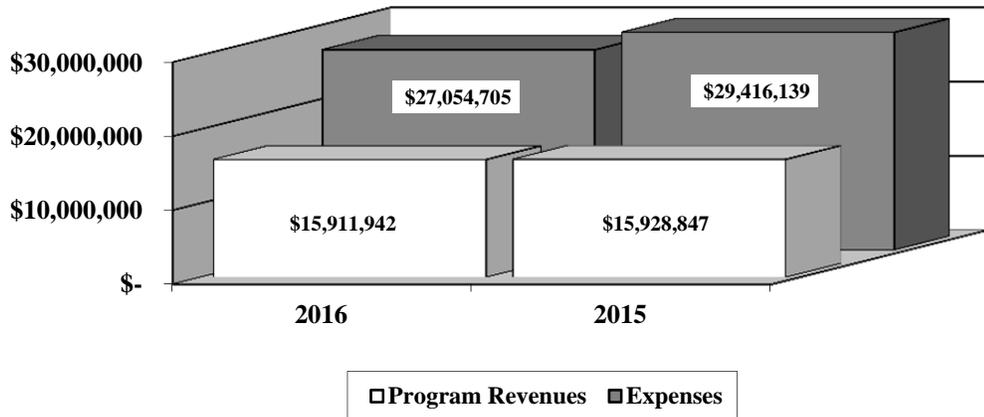
Human services, which supports the operations of the County Board of DD fund, Senior Center fund, and Public Assistance fund, accounts for \$9,769,856 of expenses, or 36.11% of total governmental expenses of the County. These expenses were funded by \$589,457 in charges to users of services and \$4,984,299 in operating grants in 2016. General government expenses which includes legislative and executive and judicial programs, totaled \$4,301,960 or 15.90% of total governmental expenses. General government expenses were partially covered by \$1,996,969 of direct charges to users and \$36,421 in operating grants in 2016.

The State and federal government contributed to the County revenues of \$11,336,969 in operating grants and contributions and \$563,257 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$4,984,299, or 43.97%, subsidized human services programs.

General revenues totaled \$13,867,956 and amounted to 46.57% of total revenues. These revenues primarily consist of property and sales tax revenue of \$11,823,642 or 85.26% of total general revenues in 2016. The other primary source of general revenues is grants and entitlements not restricted to specific programs of \$1,473,876.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2016 and 2015. 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



The following table shows, for governmental activities, the total cost of services and the net cost of services for 2016 and 2015. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted State grants and entitlements).

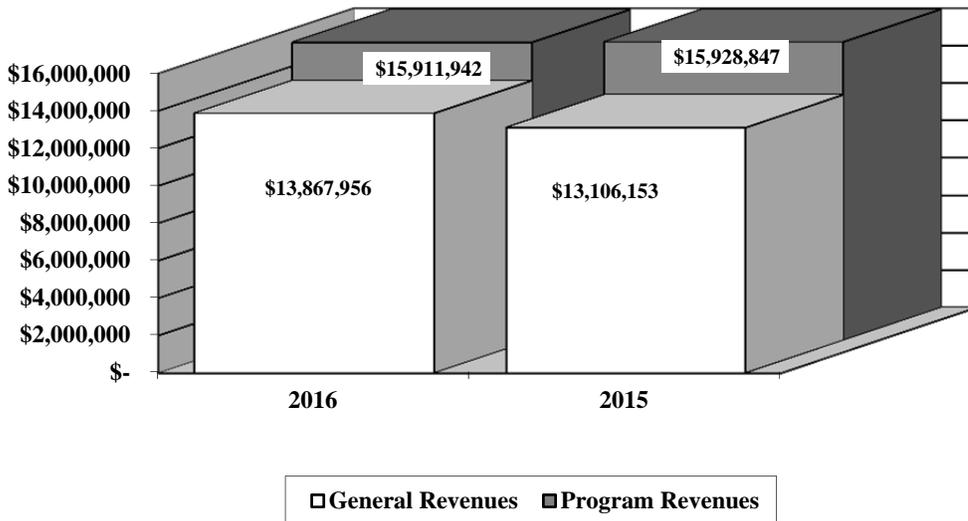
HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)

	Governmental Activities			
	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Program expenses:				
General government	\$ 4,301,960	\$ 2,268,570	\$ 4,618,361	\$ 2,511,923
Public safety	3,700,640	3,305,507	3,674,323	2,942,911
Public works	4,802,030	(563,317)	6,648,119	1,224,677
Health	1,804,508	1,235,291	1,957,880	1,195,421
Human services	9,769,856	4,196,100	10,471,677	5,011,506
Economic development and assistance	1,307,119	53,222	920,522	90,883
Transportation	544,836	(60,916)	511,370	(38,340)
Intergovernmental	296,415	296,415	295,628	295,628
Other	522,490	407,040	309,045	243,469
Interest and fiscal charges	4,851	4,851	9,214	9,214
Total	<u>\$ 27,054,705</u>	<u>\$ 11,142,763</u>	<u>\$ 29,416,139</u>	<u>\$ 13,487,292</u>

The dependence upon general revenues for governmental activities is apparent, with 41.19% and 45.85% of expenses supported through taxes and other general revenues during 2016 and 2015, respectively. The graph below illustrates the County's reliance upon general revenues.

Governmental Activities – General and Program Revenues



Business-type Activities

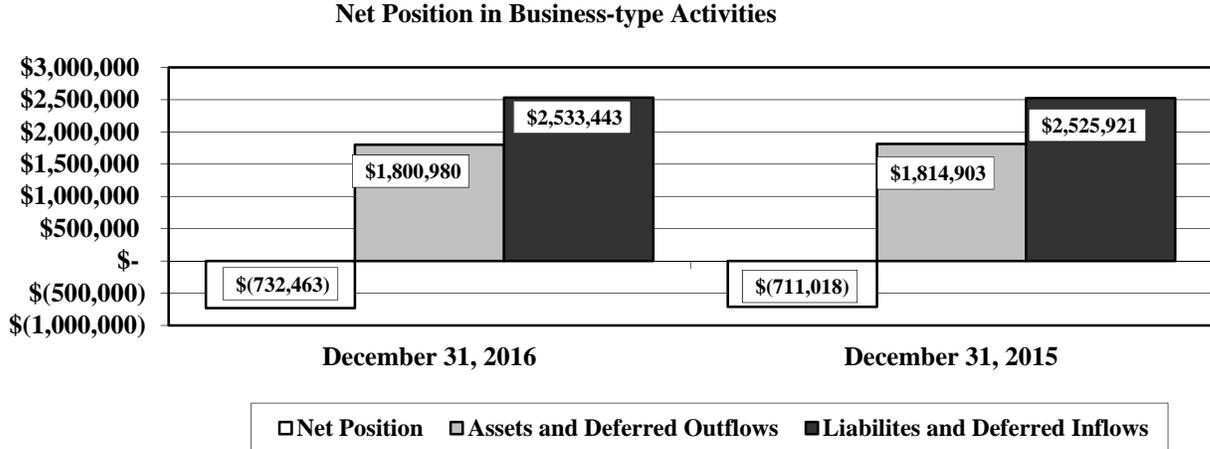
The Sanitary Landfill, Tower, Hahn Center and Monroe Township landfill fees are the County's enterprise funds. These programs had revenues of \$382,167, general revenues of \$1,913, and expenses of \$405,025 for 2016.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)

The business-type activities net position decreased \$20,945 or 2.94% during 2016.

The following graph illustrates the assets, liabilities, and net position of the County's business-type activities at December 31, 2016 and December 31, 2015.



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, unrestricted 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 reported a combined fund balance of \$23,441,056, which is \$1,682,097 more than last year's total of \$21,758,959. The following schedule indicates the fund balance and the total change in fund balance as of December 31, 2016 and December 31, 2015 for all major and nonmajor governmental funds.

	Fund Balance December 31, 2016	Fund Balance December 31, 2015	Increase (Decrease)
Major funds:			
General	\$ 7,254,196	\$ 6,855,011	\$ 399,185
Country view haven fund	1,472,747	1,591,501	(118,754)
Public assistance fund	590,541	599,250	(8,709)
Motor vehicle and gas tax	3,078,818	2,378,396	700,422
County board of DD	3,114,424	2,544,784	569,640
Senior center fund	354,074	465,503	(111,429)
Other nonmajor governmental funds	7,576,256	7,324,514	251,742
Total	<u>\$ 23,441,056</u>	<u>\$ 21,758,959</u>	<u>\$ 1,682,097</u>

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)

General Fund

The General fund, the County's largest major fund, had revenues and other financing sources of \$9,422,205 in 2016, an increase of \$192,726 from 2015 revenues. The general fund had expenditures and other financing uses of \$9,023,020 in 2016, an increase of \$472,798 from 2015. The general fund balance increased \$399,185 from 2015 to 2016.

The table that follows assists in illustrating the revenues of the general fund during 2016 and 2015.

	2016 <u>Amount</u>	2015 <u>Amount</u>	Percentage <u>Change</u>
Revenues:			
Taxes	\$ 6,365,466	\$ 6,230,141	2.17 %
Charges for services	1,217,227	1,121,469	8.54 %
Licenses and permits	1,584	1,296	22.22 %
Fines and forfeitures	51,143	68,932	(25.81) %
Intergovernmental	1,175,510	1,168,046	0.64 %
Investment income	76,600	79,543	(3.70) %
Other	<u>519,675</u>	<u>555,052</u>	(6.37) %
Total	<u>\$ 9,407,205</u>	<u>\$ 9,224,479</u>	1.98 %

The increase in taxes was due to an increase in the amount of sales tax collected for 2016. The increase in charges for services is due to an increase in conveyance fees collected in 2016. The decrease in fines and forfeitures is due to less fines and court costs for the municipal court.

The table that follows assists in illustrating the expenditures of the general fund during 2016 and 2015.

	2016 <u>Amount</u>	2015 <u>Amount</u>	Percentage <u>Change</u>
Expenditures:			
Current:			
General government			
Legislative and executive	\$ 2,274,278	\$ 2,144,116	6.07 %
Judicial	1,319,856	1,236,519	6.74 %
Public safety	2,950,179	2,807,989	5.06 %
Public works	143,100	121,713	17.57 %
Health	76,823	174,335	(55.93) %
Human services	281,195	274,364	2.49 %
Economic development and assistance	155,837	147,263	5.82 %
Intergovernmental	296,415	295,628	0.27 %
Other	<u>393,110</u>	<u>203,780</u>	92.91 %
Total	<u>\$ 7,890,793</u>	<u>\$ 7,405,707</u>	6.55 %

Expenditures have increased 6.55% from 2015 for the general fund. The significant areas of change in expenditures are public works, health, and other. The increase in public works can be primarily attributed to an increase in expenditures related to capital improvements. The decrease in health can be primarily attributed to a decrease in rent for the Four County ADAMHS Board, a jointly governed organization. The increase in other expenditures was due to increases in unanticipated emergencies. All other expenditures remained comparable to 2016.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED (Continued)

Country View Haven Fund

The Country View Haven fund, a County major fund, had revenues of \$1,383,522 in 2016. The Country View Haven fund had expenditures of \$1,502,276 in 2016. The Country View Haven fund balance decreased \$118,754 or 7.46% from 2015 to 2016.

Public Assistance Fund

The Public Assistance fund, a County major fund, had revenues of \$1,873,457 in 2016. The Public Assistance fund had expenditures of \$1,882,166 in 2016. The Public Assistance fund balance decreased \$8,709 or 1.45% from 2015 to 2016.

Motor Vehicle and Gas Tax Fund

The Motor Vehicle and Gas Tax fund, a County major fund, had revenues of \$4,553,125 in 2016. The Motor Vehicle and Gas Tax fund had expenditures of \$3,852,703 in 2016. The Motor Vehicle and Gas Tax fund balance decreased \$700,422 or 29.45% from 2015 to 2016 primarily due to increase expenditures for new Maumee River Bridge.

County Board of Developmental Disabled (DD) Fund

The County Board of DD fund, a County major fund, had revenues of \$4,914,972 in 2016. The County Board of DD fund had expenditures of \$4,345,332 in 2016. The County Board of DD fund balance increased \$569,640 or 22.38% from 2015 to 2016 due primarily to less retirement payouts and a transition of day services to a private provider.

Senior Center Fund

The Senior Center fund, a County major fund, had revenues of \$708,819 in 2016. The Senior Center fund had expenditures of \$820,248 in 2016. The Senior Center fund balance decreased \$111,429 or 23.94% from 2015 to 2016 primarily due to a decrease in the amount of donations received.

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.

Original budgeted revenues were \$8,574,160. Final budgeted revenues were \$9,286,208. Actual revenues and other financing sources of \$9,216,588 were less than final budgeted revenues by \$69,620. Original budgeted expenditures and other financing uses were \$8,874,012. Final budgeted expenditures and other financing uses were \$9,827,286. Actual expenditures and other financing uses of \$9,100,845 were less than final budgeted expenditures by \$726,441.

Proprietary Funds

The County'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.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)

Sanitary Landfill Fund

The Sanitary Landfill fund, a major proprietary fund, had operating revenues of \$269,959 in 2016, an increase of \$4,874 or 1.84% from 2015 revenues. The sanitary landfill fund had operating expenses of \$345,547 in 2016, a decrease of \$26,450 or 7.11% from 2015. The sanitary landfill fund also reported \$1,913 in non-operating revenues during 2016. The net change in operating revenues and expenses contributed to the decrease in net position of \$73,675 during 2016.

Capital Assets and Debt Administration

Capital Assets

At the end of 2016, the County had \$38,751,356 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, machinery and equipment, vehicles and infrastructure. Of this total, \$37,942,302 was reported in governmental activities and \$809,054 was reported in business-type activities. The following table shows December 31, 2016 balances compared to December 31, 2015.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,298,818	\$ 2,003,318	\$ 249,481	\$ 249,481	\$ 2,548,299	\$ 2,252,799
Construction in progress	719,855	-	-	-	719,855	-
Building and improvements	7,185,700	7,225,446	63,502	67,825	7,249,202	7,293,271
Machinery and equipment	809,411	590,163	111,524	122,397	920,935	712,560
Vehicles	2,490,858	2,386,683	46,392	57,280	2,537,250	2,443,963
Infrastructure	<u>24,437,660</u>	<u>24,740,796</u>	<u>338,155</u>	<u>361,476</u>	<u>24,775,815</u>	<u>25,102,272</u>
Total	<u>\$ 37,942,302</u>	<u>\$ 36,946,406</u>	<u>\$ 809,054</u>	<u>\$ 858,459</u>	<u>\$ 38,751,356</u>	<u>\$ 37,804,865</u>

See Note 11 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

Debt Administration

At December 31, 2016 the County had \$2,364,916 in general obligation bonds, special assessment bonds, mortgage loan and an estimated liability for landfill/post closure. Of this total \$23,483 is due within one year and \$2,341,433 is due in greater than one year. The following table summarizes the outstanding debt at December 31, 2016.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)

Outstanding Long-Term Obligations, at Year End

	Governmental Activities 2016	Business-type Activities 2016	Total 2016
Long-term obligations:			
General obligation bonds	\$ 8,000	\$ -	\$ 8,000
Special assessment bonds	35,605	-	35,605
Mortgage loan	8,898	-	8,898
Estimated liability for landfill closure/post closure	-	2,312,413	2,312,413
Total	<u>\$ 52,503</u>	<u>\$ 2,312,413</u>	<u>\$ 2,364,916</u>

At December 31, 2016 the County's overall legal debt margin was \$18,395,396. See Note 13 to the basic financial statements for detail on governmental activities and business-type activities long term debt.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for 2016.

The County's unemployment rate is 5.33%, compared to the 4.93% state average and the 4.85% national average.

State funding is expected to flatten over the next few years due to the minimum payments the State has now set in place.

These economic factors were considered in preparing the County's budget for fiscal year 2016. Budgeted revenues and other financing sources in the general fund for 2016 is \$8,860,950. With the continuation of conservative budgeting practices and the increase in the local sales tax, the County's financial position should remain stable in future years.

Contacting the County's Financial Management

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

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HENRY COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 20,888,058	\$ 217,910	\$ 21,105,968
Cash in segregated accounts	220,770	350	221,120
Receivables:			
Sales taxes	1,131,935	-	1,131,935
Property and other taxes	7,382,209	-	7,382,209
Accounts	63,916	514	64,430
Due from other governments	5,182,071	-	5,182,071
Special assessments	419,946	-	419,946
Accrued interest	8,598	230	8,828
Loans	1,597,775	-	1,597,775
Leases	70,000	-	70,000
Prepayments	156,891	1,941	158,832
Materials and supplies inventory	147,712	-	147,712
Net pension asset	21,447	292	21,739
Internal balance	1,494	(1,494)	-
Restricted assets:			
Equity in pooled cash and cash equivalents	-	702,951	702,951
Capital assets:			
Land	3,018,673	249,481	3,268,154
Depreciable capital assets, net	34,923,629	559,573	35,483,202
Total capital assets, net	<u>37,942,302</u>	<u>809,054</u>	<u>38,751,356</u>
Total assets	<u>75,235,124</u>	<u>1,731,748</u>	<u>76,966,872</u>
Deferred outflows of resources:			
Pension - OPERS	5,077,215	69,232	5,146,447
Total deferred outflows of resources	<u>5,077,215</u>	<u>69,232</u>	<u>5,146,447</u>
Total assets and deferred outflows of resources	<u>80,312,339</u>	<u>1,800,980</u>	<u>82,113,319</u>
Liabilities:			
Accounts payable	269,893	2,763	272,656
Contracts payable	542,682	-	542,682
Accrued wages and benefits payable	242,087	2,424	244,511
Pension obligation payable	131,305	1,766	133,071
Due to other governments	34,195	3,973	38,168
Deposits held and due to others	220,527	-	220,527
Amount to be repaid to claimants	59,066	-	59,066
Accrued interest payable	676	-	676
Long-term liabilities:			
Due within one year	803,544	8,397	811,941
Net pension liability	13,167,482	179,548	13,347,030
Due in more than one year	768,785	2,329,113	3,097,898
Total liabilities	<u>16,240,242</u>	<u>2,527,984</u>	<u>18,768,226</u>
Deferred inflows of resources:			
Property taxes levied for the next year	6,972,979	-	6,972,979
Pension - OPERS	400,367	5,459	405,826
Leases receivable	70,000	-	70,000
Total deferred inflows of resources	<u>7,443,346</u>	<u>5,459</u>	<u>7,448,805</u>
Net position:			
Net investment in capital assets	37,889,799	809,054	38,698,853
Restricted for:			
Capital projects	1,430,500	-	1,430,500
Debt service	126,660	-	126,660
Public safety programs	81,843	-	81,843
Public works projects	3,376,104	-	3,376,104
Human services	3,570,375	-	3,570,375
Health programs	741,145	-	741,145
Economic development programs	2,176,903	-	2,176,903
Other purposes	2,956,181	-	2,956,181
Unrestricted (deficit)	<u>4,279,241</u>	<u>(1,541,517)</u>	<u>2,737,724</u>
Total net position (deficit)	<u>\$ 56,628,751</u>	<u>\$ (732,463)</u>	<u>\$ 55,896,288</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Current:				
General government:				
Legislative and executive	\$ 2,944,490	\$ 1,604,719	\$ 8,843	\$ -
Judicial	1,357,470	392,250	27,578	-
Public safety	3,700,640	176,117	219,016	-
Public works	4,802,030	129,606	4,672,484	563,257
Health	1,804,508	544,877	24,340	-
Human services	9,769,856	589,457	4,984,299	-
Economic development and assistance . .	1,307,119	-	1,253,897	-
Transportation	544,836	574,690	31,062	-
Intergovernmental	296,415	-	-	-
Other	522,490	-	115,450	-
Interest and fiscal charges	4,851	-	-	-
Total governmental activities	<u>27,054,705</u>	<u>4,011,716</u>	<u>11,336,969</u>	<u>563,257</u>
Business-type activities:				
Sanitary landfill	345,547	269,959	-	-
Other business-type activities:				
Tower fund	15,993	22,864	-	-
Hahn Center	42,696	88,594	-	-
Monroe Township landfill fees	789	750	-	-
Total business-type activities	<u>405,025</u>	<u>382,167</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 27,459,730</u>	<u>\$ 4,393,883</u>	<u>\$ 11,336,969</u>	<u>\$ 563,257</u>

General revenues:

Property taxes levied for:
General purposes
Human services - County Board of DD.
Human services - Senior Center.
Health - Country View Haven
Sales taxes
Grants and entitlements not restricted to specific programs.
Investment earnings
Miscellaneous
Total general revenues
Change in net position
Net position (deficit) at beginning of year
Net positon (deficit) at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,330,928)	\$ -	\$ (1,330,928)
(937,642)	-	(937,642)
(3,305,507)	-	(3,305,507)
563,317	-	563,317
(1,235,291)	-	(1,235,291)
(4,196,100)	-	(4,196,100)
(53,222)	-	(53,222)
60,916	-	60,916
(296,415)	-	(296,415)
(407,040)	-	(407,040)
(4,851)	-	(4,851)
<u>(11,142,763)</u>	<u>-</u>	<u>(11,142,763)</u>
-	(75,588)	(75,588)
-	6,871	6,871
-	45,898	45,898
-	(39)	(39)
<u>-</u>	<u>(22,858)</u>	<u>(22,858)</u>
<u>(11,142,763)</u>	<u>(22,858)</u>	<u>(11,165,621)</u>
2,221,495	-	2,221,495
3,290,105	-	3,290,105
1,203,925	-	1,203,925
888,380	-	888,380
4,219,737	-	4,219,737
1,473,876	-	1,473,876
80,037	1,913	81,950
490,401	-	490,401
<u>13,867,956</u>	<u>1,913</u>	<u>13,869,869</u>
2,725,193	(20,945)	2,704,248
53,903,558	(711,518)	53,192,040
<u>\$ 56,628,751</u>	<u>\$ (732,463)</u>	<u>\$ 55,896,288</u>

HENRY COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Country View Haven	Public Assistance	Motor Vehicle and Gas Tax	County Board of DD
Assets:					
Equity in pooled cash and cash equivalents . . . \$	6,425,665	\$ 1,597,084	\$ 415,045	\$ 2,326,295	\$ 3,152,850
Cash in segregated accounts	-	243	-	-	-
Receivables:					
Sales taxes	1,131,935	-	-	-	-
Property and other taxes	1,743,022	256,326	-	-	4,408,819
Accounts	32,593	-	4,315	2,315	5,189
Due from other governments	508,931	3,559	1,593,236	2,186,679	315,359
Special assessments	-	-	-	-	-
Accrued interest	7,551	-	-	865	-
Loans	-	-	-	-	-
Due from other funds	90,439	-	-	10,742	-
Leases receivable	70,000	-	-	-	-
Prepayments	67,869	17,160	13,162	11,543	28,544
Materials and supplies inventory	11,558	-	4,471	121,860	6,275
Total assets	<u>\$ 10,089,563</u>	<u>\$ 1,874,372</u>	<u>\$ 2,030,229</u>	<u>\$ 4,660,299</u>	<u>\$ 7,917,036</u>
Liabilities:					
Accounts payable \$	27,954	\$ 13,427	\$ 23,374	\$ 34,820	\$ 23,763
Contracts payable	-	-	-	-	-
Accrued wages and benefits payable	79,361	42,644	22,512	14,175	55,472
Compensated absences payable	-	55,262	1,559	-	-
Due to other funds	6,342	17,160	11,869	11,543	19,935
Due to other governments	4,017	2,935	326	16,640	8,830
Pension obligation payable	42,510	10,312	15,247	14,959	22,927
Deposits held and due to others	-	-	-	-	-
Amount to be repaid to claimants	59,066	-	-	-	-
Total liabilities	<u>219,250</u>	<u>141,740</u>	<u>74,887</u>	<u>92,137</u>	<u>130,927</u>
Deferred inflows of resources:					
Property taxes levied for the next year	1,646,398	242,117	-	-	4,164,418
Delinquent property tax revenue not available	96,624	14,209	-	-	244,401
Accrued interest not available	3,437	-	-	865	-
Special assessments revenue not available	-	-	-	-	-
Sales tax revenue not available	444,251	-	-	-	-
Unavailable grant revenue	-	-	1,364,801	-	-
Lease revenue not available	70,000	-	-	-	-
Nonexchange transactions	355,407	3,559	-	1,488,479	262,866
Total deferred inflows of resources	<u>2,616,117</u>	<u>259,885</u>	<u>1,364,801</u>	<u>1,489,344</u>	<u>4,671,685</u>
Fund balances:					
Nonspendable	79,427	17,160	17,633	133,403	34,819
Restricted	-	1,455,587	572,908	2,945,415	3,079,605
Committed	-	-	-	-	-
Assigned	34,338	-	-	-	-
Unassigned (deficit)	7,140,431	-	-	-	-
Total fund balances	<u>7,254,196</u>	<u>1,472,747</u>	<u>590,541</u>	<u>3,078,818</u>	<u>3,114,424</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,089,563</u>	<u>\$ 1,874,372</u>	<u>\$ 2,030,229</u>	<u>\$ 4,660,299</u>	<u>\$ 7,917,036</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Senior Center</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 383,708	\$ 6,587,411	\$ 20,888,058
220,527	-	220,770
-	-	1,131,935
410,123	563,919	7,382,209
150	19,354	63,916
29,038	545,269	5,182,071
-	419,946	419,946
-	182	8,598
-	1,597,775	1,597,775
-	14,575	115,756
-	-	70,000
2,910	15,703	156,891
-	3,548	147,712
<u>\$ 1,046,456</u>	<u>\$ 9,767,682</u>	<u>\$ 37,385,637</u>
\$ 16,679	\$ 129,876	\$ 269,893
-	542,682	542,682
5,728	22,195	242,087
-	-	56,821
11,834	35,579	114,262
1,050	397	34,195
4,069	21,281	131,305
220,527	-	220,527
-	-	59,066
<u>259,887</u>	<u>752,010</u>	<u>1,670,838</u>
387,388	532,658	6,972,979
22,735	31,261	409,230
-	182	4,484
-	419,946	419,946
-	-	444,251
-	455,369	1,820,170
-	-	70,000
22,372	-	2,132,683
<u>432,495</u>	<u>1,439,416</u>	<u>12,273,743</u>
2,910	19,251	304,603
351,164	7,334,662	15,739,341
-	234,076	234,076
-	-	34,338
-	(11,733)	7,128,698
<u>354,074</u>	<u>7,576,256</u>	<u>23,441,056</u>
<u>\$ 1,046,456</u>	<u>\$ 9,767,682</u>	<u>\$ 37,385,637</u>

HENRY COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Total governmental fund balances	\$	23,441,056
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		37,942,302
The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds.		21,447
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 409,230	
Sales taxes receivable	444,251	
Special assessments receivable	419,946	
Intergovernmental receivable	3,952,853	
Accrued interest receivable	4,484	
Total	5,230,764	5,230,764
On the statement of net position interest is accrued on outstanding bonds and loans payable, whereas in the governmental funds, interest is accrued when due.		(676)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.		
Deferred outflows - OPERS	5,077,215	
Deferred Inflows - OPERS	(400,367)	
Net pension liability - OPERS	(13,167,482)	
Total	(8,490,634)	(8,490,634)
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(8,000)	
Special assessment bonds payable	(35,605)	
Mortgage loans payable	(8,898)	
Compensated absences payable	(1,463,005)	
Total	(1,515,508)	(1,515,508)
Net position of governmental activities	\$	56,628,751

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Country View Haven	Public Assistance	Motor Vehicle and Gas Tax	County Board of DD
Revenues:					
Sales taxes	\$ 4,140,526	\$ -	\$ -	\$ -	\$ -
Property and other taxes	2,224,940	921,263	-	-	3,254,673
Charges for services	1,217,227	362,206	-	-	479,916
Licenses and permits	1,584	-	-	-	-
Fines and forfeitures	51,143	-	-	43,604	-
Intergovernmental	1,175,510	27,390	1,835,793	4,471,910	1,081,860
Special assessments	-	-	-	-	-
Investment income	76,600	-	-	4,824	-
Rental income	29,274	71,337	-	5,600	-
Contributions and donations	-	-	-	-	21,231
Other	490,401	1,326	37,664	27,187	77,292
Total revenues	<u>9,407,205</u>	<u>1,383,522</u>	<u>1,873,457</u>	<u>4,553,125</u>	<u>4,914,972</u>
Expenditures:					
Current:					
General government:					
Legislative and executive	2,274,278	-	-	-	-
Judicial	1,319,856	-	-	-	-
Public safety	2,950,179	-	-	-	-
Public works	143,100	-	-	3,852,703	-
Health	76,823	1,502,276	-	-	-
Human services	281,195	-	1,882,166	-	4,337,610
Economic development and assistance	155,837	-	-	-	-
Transportation	-	-	-	-	-
Intergovernmental	296,415	-	-	-	-
Other	393,110	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	7,463
Interest and fiscal charges	-	-	-	-	259
Total expenditures	<u>7,890,793</u>	<u>1,502,276</u>	<u>1,882,166</u>	<u>3,852,703</u>	<u>4,345,332</u>
Excess (deficiency) of revenues over (under) expenditures	1,516,412	(118,754)	(8,709)	700,422	569,640
Other financing sources (uses):					
Transfers in	15,000	-	-	-	-
Transfers (out)	(1,132,227)	-	-	-	-
Total other financing sources (uses)	<u>(1,117,227)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	399,185	(118,754)	(8,709)	700,422	569,640
Fund balances at beginning of year	<u>6,855,011</u>	<u>1,591,501</u>	<u>599,250</u>	<u>2,378,396</u>	<u>2,544,784</u>
Fund balances at end of year	<u>\$ 7,254,196</u>	<u>\$ 1,472,747</u>	<u>\$ 590,541</u>	<u>\$ 3,078,818</u>	<u>\$ 3,114,424</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Senior Center	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 4,140,526
368,036	837,814	7,606,726
-	1,592,126	3,651,475
-	104,246	105,830
-	59,053	153,800
186,936	2,937,910	11,717,309
-	361,121	361,121
-	39,412	120,836
-	-	106,211
149,009	216,919	387,159
4,838	185,535	824,243
<u>708,819</u>	<u>6,334,136</u>	<u>29,175,236</u>
-	706,350	2,980,628
-	81,972	1,401,828
-	827,717	3,777,896
-	194,338	4,190,141
-	110,574	1,689,673
820,248	2,136,412	9,457,631
-	1,151,282	1,307,119
-	518,307	518,307
-	-	296,415
-	123,041	516,151
-	1,332,990	1,332,990
-	11,869	19,332
-	4,769	5,028
<u>820,248</u>	<u>7,199,621</u>	<u>27,493,139</u>
<u>(111,429)</u>	<u>(865,485)</u>	<u>1,682,097</u>
-	1,244,565	1,259,565
-	(127,338)	(1,259,565)
-	1,117,227	-
(111,429)	251,742	1,682,097
465,503	7,324,514	21,758,959
<u>\$ 354,074</u>	<u>\$ 7,576,256</u>	<u>\$ 23,441,056</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, 2016

Net change in fund balances - total governmental funds	\$	1,682,097
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 3,212,795	
Current year depreciation	<u>(2,128,809)</u>	
Total		1,083,986
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(88,090)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(2,821)	
Sales taxes	79,211	
Special assessments	4,664	
Intergovernmental revenues	519,124	
Investment income	<u>4,484</u>	
Total		604,662
Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		19,332
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
		177
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.		
		180,187
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,189,685
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		<u>(1,946,843)</u>
Change in net position of governmental activities	\$	<u>2,725,193</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales taxes	\$ 3,800,000	\$ 4,157,861	\$ 4,157,862	\$ 1
Property and other taxes.	2,209,200	2,220,172	2,219,947	(225)
Charges for services.	911,300	1,054,706	1,005,058	(49,648)
Licenses and permits	1,360	1,610	1,584	(26)
Fines and forfeitures	70,000	70,000	53,427	(16,573)
Intergovernmental.	1,177,800	1,210,044	1,179,762	(30,282)
Investment income.	32,000	32,960	74,624	41,664
Rental income	32,000	32,000	29,274	(2,726)
Other	340,500	506,855	480,050	(26,805)
Total revenues	<u>8,574,160</u>	<u>9,286,208</u>	<u>9,201,588</u>	<u>(84,620)</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	2,229,675	2,378,820	2,263,614	115,206
Judicial	1,270,212	1,323,676	1,239,579	84,097
Public safety	3,050,185	3,194,638	3,032,762	161,876
Public works	137,373	158,650	146,121	12,529
Health	67,400	77,400	74,683	2,717
Human services	371,160	357,781	287,076	70,705
Economic development and assistance .	150,054	169,752	155,976	13,776
Intergovernmental	294,803	296,416	296,415	1
Other	431,570	958,573	472,392	486,181
Total expenditures	<u>8,002,432</u>	<u>8,915,706</u>	<u>7,968,618</u>	<u>947,088</u>
Excess of revenues over expenditures . . .	<u>571,728</u>	<u>370,502</u>	<u>1,232,970</u>	<u>862,468</u>
Other financing sources (uses):				
Transfers in	-	-	15,000	15,000
Transfers (out).	(871,580)	(911,580)	(1,132,227)	(220,647)
Total other financing sources (uses)	<u>(871,580)</u>	<u>(911,580)</u>	<u>(1,117,227)</u>	<u>(205,647)</u>
Net change in fund balance	(299,852)	(541,078)	115,743	656,821
Fund balance at beginning of year	<u>5,762,339</u>	<u>5,762,339</u>	<u>5,762,339</u>	<u>-</u>
Prior year encumbrances appropriated . . .	<u>38,255</u>	<u>38,255</u>	<u>38,255</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,500,742</u>	<u>\$ 5,259,516</u>	<u>\$ 5,916,337</u>	<u>\$ 656,821</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 581,105	\$ 961,456	\$ 961,456	\$ -
Charges for services	525,000	525,000	362,206	(162,794)
Intergovernmental	242,858	242,858	27,390	(215,468)
Rental income	27,000	71,337	71,337	-
Contributions and donations.	1,000	1,000	-	(1,000)
Other	5,000	5,000	1,176	(3,824)
Total revenues	1,381,963	1,806,651	1,423,565	(383,086)
Expenditures:				
Current:				
Health	1,849,540	1,851,436	1,476,887	374,549
Total expenditures	1,849,540	1,851,436	1,476,887	374,549
Net change in fund balance.	(467,577)	(44,785)	(53,322)	(757,635)
Fund balance at beginning of year	1,581,272	1,581,272	1,581,272	-
Prior year encumbrances appropriated .	27,028	27,028	27,028	-
Fund balance at end of year	\$ 1,140,723	\$ 1,563,515	\$ 1,554,978	\$ (757,635)

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, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 2,063,800	\$ 2,063,800	\$ 1,820,045	\$ (243,755)
Other	42,000	42,193	33,349	(8,844)
Total revenues	<u>2,105,800</u>	<u>2,105,993</u>	<u>1,853,394</u>	<u>(252,599)</u>
Expenditures:				
Current:				
Human services	<u>2,109,691</u>	<u>2,108,398</u>	<u>1,866,751</u>	<u>241,647</u>
Total expenditures	<u>2,109,691</u>	<u>2,108,398</u>	<u>1,866,751</u>	<u>241,647</u>
Net change in fund balance.	(3,891)	(2,405)	(13,357)	(10,952)
Fund balance at beginning of year	423,729	423,729	423,729	-
Prior year encumbrances appropriated	3,891	3,891	3,891	-
Fund balance at end of year	<u>\$ 423,729</u>	<u>\$ 425,215</u>	<u>\$ 414,263</u>	<u>\$ (10,952)</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 55,551	\$ 46,787	\$ 41,363	\$ (5,424)
Intergovernmental	4,774,538	4,966,519	4,432,269	(534,250)
Investment income	6,000	6,000	5,104	(896)
Rental income	3,268	6,241	5,600	(641)
Other	14,660	27,035	24,260	(2,775)
Total revenues	<u>4,854,017</u>	<u>5,052,582</u>	<u>4,508,596</u>	<u>(543,986)</u>
Expenditures:				
Current:				
Public works	<u>4,921,967</u>	<u>4,690,681</u>	<u>3,972,744</u>	<u>717,937</u>
Total expenditures	<u>4,921,967</u>	<u>4,690,681</u>	<u>3,972,744</u>	<u>717,937</u>
Net change in fund balance	(67,950)	361,901	535,852	(1,261,923)
Fund balance at beginning of year	1,651,763	1,651,763	1,651,763	-
Prior year encumbrances appropriated .	<u>71,967</u>	<u>71,967</u>	<u>71,967</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,655,780</u>	<u>\$ 2,085,631</u>	<u>\$ 2,259,582</u>	<u>\$ (1,261,923)</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 DD
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and other taxes	\$ 3,100,000	\$ 3,186,232	\$ 3,186,232	\$ -
Charges for services	370,000	482,541	470,021	(12,520)
Intergovernmental	887,858	1,121,299	1,111,532	(9,767)
Contributions and donations.	15,000	21,231	21,231	-
Other	65,000	116,926	75,926	(41,000)
Total revenues	<u>4,437,858</u>	<u>4,928,229</u>	<u>4,864,942</u>	<u>(63,287)</u>
Expenditures:				
Current:				
Human services	5,253,622	5,253,622	4,391,948	861,674
Total expenditures	<u>5,253,622</u>	<u>5,253,622</u>	<u>4,391,948</u>	<u>861,674</u>
Net change in fund balance.	(815,764)	(325,393)	472,994	798,387
Fund balance at beginning of year	2,346,259	2,346,259	2,346,259	-
Prior year encumbrances appropriated	989	989	989	-
Fund balance at end of year	<u>\$ 1,531,484</u>	<u>\$ 2,021,855</u>	<u>\$ 2,820,242</u>	<u>\$ 798,387</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)
 SENIOR CENTER
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 389,000	\$ 411,433	\$ 365,246	\$ (46,187)
Intergovernmental	126,519	148,257	184,510	36,253
Contributions and donations.	127,000	149,009	149,009	-
Other	9,000	9,000	5,000	(4,000)
Total revenues	<u>651,519</u>	<u>717,699</u>	<u>703,765</u>	<u>(13,934)</u>
Expenditures:				
Current:				
Human services	762,306	839,447	825,872	13,575
Total expenditures	<u>762,306</u>	<u>839,447</u>	<u>825,872</u>	<u>13,575</u>
Net change in fund balance.	(110,787)	(121,748)	(122,107)	(27,509)
Fund balance at beginning of year	<u>432,332</u>	<u>432,332</u>	<u>432,332</u>	<u>-</u>
Fund balance at end of year	<u>\$ 321,545</u>	<u>\$ 310,584</u>	<u>\$ 310,225</u>	<u>\$ (27,509)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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HENRY COUNTY, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 18,264	\$ 199,646	\$ 217,910
Cash with fiscal and escrow agents	350	-	350
Receivables (net of allowance for uncollectibles):			
Accounts	514	-	514
Accrued interest	230	-	230
Restricted assets:			
Equity in pooled cash and cash equivalents	702,951	-	702,951
Prepayments	1,941	-	1,941
Net pension asset	292	-	292
Total current assets	724,542	199,646	924,188
Noncurrent assets:			
Capital assets:			
Land	249,481	-	249,481
Depreciable capital assets, net	559,573	-	559,573
Total capital assets, net	809,054	-	809,054
Total assets	1,533,596	199,646	1,733,242
Deferred outflows of resources:			
Pension - OPERS	69,232	-	69,232
Total deferred outflows of resources	69,232	-	69,232
Total assets and deferred outflows of resources	1,602,828	199,646	1,802,474
Liabilities:			
Current liabilities:			
Accounts payable	2,715	48	2,763
Accrued wages and benefits payable	2,424	-	2,424
Due to other funds	1,494	-	1,494
Compensated absences payable	8,397	-	8,397
Due to other governments	3,973	-	3,973
Pension obligation payable	1,766	-	1,766
Total current liabilities	20,769	48	20,817
Long-term liabilities:			
Compensated absences payable	16,700	-	16,700
Net pension liability	179,548	-	179,548
Estimated accrued liability for landfill closure and post closure costs	2,312,413	-	2,312,413
Total long-term liabilities	2,508,661	-	2,508,661
Total liabilities	2,529,430	48	2,529,478
Deferred inflows of resources:			
Pension - OPERS	5,459	-	5,459
Total deferred inflows of resources	5,459	-	5,459
Total liabilities and deferred inflows of resources	2,534,889	48	2,534,937
Net position:			
Investment in capital assets	809,054	-	809,054
Unrestricted (deficit)	(1,741,115)	199,598	(1,541,517)
Total net position (deficit)	\$ (932,061)	\$ 199,598	\$ (732,463)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sanitary Landfill</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 269,959	\$ 112,208	\$ 382,167
Total operating revenues.	<u>269,959</u>	<u>112,208</u>	<u>382,167</u>
Operating expenses:			
Personal services	117,921	100	118,021
Fringe benefits.	10,166	-	10,166
Contract services.	130,073	23,453	153,526
Materials and supplies.	485	1,770	2,255
Depreciation.	49,405	-	49,405
Landfill closure and post-closure costs . . .	26,416	2,704	29,120
Utilities	11,081	28,204	39,285
Other	-	3,247	3,247
Total operating expenses.	<u>345,547</u>	<u>59,478</u>	<u>405,025</u>
Operating income (loss)	<u>(75,588)</u>	<u>52,730</u>	<u>(22,858)</u>
Nonoperating revenues:			
Interest income	1,913	-	1,913
Total nonoperating revenues.	<u>1,913</u>	<u>-</u>	<u>1,913</u>
Change in net position	(73,675)	52,730	(20,945)
Net position (deficit) at beginning of year	<u>(858,386)</u>	<u>146,868</u>	<u>(711,518)</u>
Net position (deficit) at end of year	<u>\$ (932,061)</u>	<u>\$ 199,598</u>	<u>\$ (732,463)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 DECEMBER 31, 2016

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sanitary Landfill</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from charges for services	\$ 269,959	\$ 112,208	\$ 382,167
Cash payments for personal services	(120,997)	(100)	(121,097)
Cash payments for contractual services	(145,079)	(25,006)	(170,085)
Cash payments for materials and supplies	(293)	(1,722)	(2,015)
Cash payments for utilities	(11,081)	(30,094)	(41,175)
Cash payments for other expenses	(55,394)	(5,951)	(61,345)
Net cash provided by (used in) operating activities	<u>(62,885)</u>	<u>49,335</u>	<u>(13,550)</u>
Cash flows from investing activities:			
Interest received	1,801	-	1,801
Net increase (decrease) in cash and cash equivalents	(61,084)	49,335	(11,749)
Cash and cash equivalents at beginning of year	782,649	150,311	932,960
Cash and cash equivalents at end of year	<u>\$ 721,565</u>	<u>\$ 199,646</u>	<u>\$ 921,211</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (75,588)	\$ 52,730	\$ (22,858)
Adjustments:			
Depreciation	49,405	-	49,405
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	192	-	192
Increase in prepayments	(1,698)	-	(1,698)
Increase in net pension asset	(102)	-	(102)
Increase in deferred outflows - pension	(47,505)	-	(47,505)
Decrease in accounts payable	(14,674)	(1,720)	(16,394)
Increase in accrued wages and benefits	504	-	504
Increase in due to other funds	1,494	-	1,494
Decrease in due to other governments	(1,171)	(1,675)	(2,846)
Increase in pension obligation payable	556	-	556
Decrease in landfill closure and postclosure care liability	(28,978)	-	(28,978)
Decrease in compensated absences payable	(3,093)	-	(3,093)
Increase in net pension liability	54,568	-	54,568
Increase in deferred inflows - pension	3,205	-	3,205
Net cash provided by (used in) operating activities	<u>\$ (62,885)</u>	<u>\$ 49,335</u>	<u>\$ (13,550)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2016**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 6,989,368
Cash in segregated accounts	73,393
Receivables:	
Property and other taxes	31,856,279
Due from other governments	1,219,510
Special assessments	217,769
Accrued interest	<u>136</u>
Total assets	<u>\$ 40,356,455</u>
Liabilities:	
Due to other governments	\$ 39,214,156
Deposits held and due to others	593,908
Undistributed assets	<u>548,391</u>
Total liabilities	<u>\$ 40,356,455</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 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" and GASB Statement No. 61, "The Financial Reporting Entity Omnibus". 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 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 Community Improvement Corporation

JOINTLY GOVERNED ORGANIZATIONS

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

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

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 2016, Henry County contributed \$282,336 for the MVPO's operations. Information can be obtained from Brett J. Kolb, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

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 2016, Henry County contributed \$1,153,750 for the CCNO's operations. Information can be obtained from William Ott, Fiscal Manager, Corrections Commission of Northwest Ohio, 3151 County Road 2425, Stryker, Ohio 43557.

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

The Four County Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) is a jointly governed organization among Henry, Defiance, Fulton, and Williams Counties to provide alcohol, drug addiction, and mental health services to individuals in the four counties. The Governing Board of ADAMHS consists of eighteen members; four members appointed by the Ohio Director of Alcohol and Drug Addiction 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 2016, Henry County contributed \$715,718 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 Developmental Disabilities (County Boards of DD). This Board, in conjunction with the County Boards of DD, 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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

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

control over the operation of Quadco including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for Quadco. In 2016, Henry County contributed \$17,662 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 6 Henry County contributed \$243,950 for the Center's operations. Information can be obtained from Brett J. Kolb, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

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 2016, Henry County contributed \$108,540 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 position and the statement of activities display information about the County as a whole. These statements include the financial activities of

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

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

the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities and deferred inflows/outflows, 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 proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows, and all liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

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

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

C. Fund Accounting

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

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, deferred outflows and liabilities and deferred inflows is reported as fund balance. The following are the County's major governmental funds:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Country View Haven Fund - This fund accounts for revenues derived from the property tax levy and user charges. The revenues are used to operate and maintain the Country View Haven home.

Public Assistance Fund - This fund accounts for revenues derived from federal and state grants. The revenues are used to provide public assistance to general relief recipients, and to pay their providers of medical assistance and certain public social services.

Motor Vehicle and Gas Tax Fund - 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 Developmentally Disabled (DD) Fund - This fund accounts for the provision of assistance, care and training to mentally challenged and developmentally disabled individuals of the County. Revenue sources include a countywide property tax levy and federal and State grants.

Senior Center Fund - This fund accounts for the operation of the senior center. Revenue sources include a countywide property tax levy, donations and federal and state grants.

Other governmental funds of the County are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

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 basic financial statements.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 inflows and deferred outflows, and in the presentation of expenses versus expenditures.

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

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

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

Deferred Inflows of Resources and Deferred Outflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

Property taxes for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance year 2017 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Special assessments not received within the available period, sales tax revenue, lease revenue not available, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2016, are recorded as deferred inflows in the governmental funds.

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

For the County, See Note 15 for deferred inflows of resources related to the County's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgetary Process

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

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the fall with respective officeholders and department heads.
2. Shortly after the beginning of the year, the Board of County Commissioners passes an appropriation resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.
3. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The revised budget figures reflected in the budgetary statements include the prior year appropriations carried over for liquidations against prior year encumbrances and any amendments to the original appropriation resolution.
5. The Board of County Commissioners appropriate at the fund, department and line item. For funds which are directly appropriated by the Board of County Commissioners, the transfer of appropriations at the fund, department and line item requires a resolution signed by at least two Commissioners.
6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2016.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

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 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 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.

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 2016 amounted to \$76,600 which includes \$57,837 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.

G. Inventories of Materials and Supplies

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

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

H. Capital Assets

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

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

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.

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 - 50 years	20 - 40 years
Machinery and equipment	5 - 25 years	10 - 25 years
Vehicles	4 - 20 years	10 years
Infrastructure	20 - 100 years	20 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, 2016, 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, 2016, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

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

K. Accrued Liabilities and Long-term Obligations

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

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

L. Interfund Transactions

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

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. The County had no interfund loans receivable/payable or advances to/from other funds outstanding at December 31, 2016.

All other outstanding balances between funds are reported as "due to/from other funds". These amounts are eliminated in the statement of net position, 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".

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Commissioners (the highest level of decision making authority). Those committed amounts cannot be used for any

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

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

other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Commissioners.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes consist primarily of monies restricted for real estate assessments.

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

O. Restricted Assets

Restricted assets in the business-type activities and on the enterprise fund financial statements represent cash and cash equivalents 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. No extraordinary transactions or special items occurred during 2016.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

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

Q. Estimates

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

R. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. The County did not receive any capital contribution during 2016.

S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2016, the County has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the County.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the County.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the County.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The County incorporated GASB Statement No. 77 guidance into the 2016 financial statements. However, there was no effect on the fund balance/net position of the County.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the County.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the County.

B. Deficit Fund Balances

Fund balances at December 31, 2016 included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Child Support Enforcement Agency	\$ 7,703
<u>Major Enterprise Fund</u>	
Sanitary Landfill	932,061

These funds complied with Ohio law, which does not permit a cash basis deficit at year end. The deficit fund balance resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association,

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 fair 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.

A. Cash on Hand

At year end, the County had \$3,250 in undeposited cash on hand, of which \$850 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".

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Cash in Segregated Accounts

At year end, the County had \$294,513 cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the amount of "deposits with financial institutions" below.

C. Restricted Assets

The County had \$702,951 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, 2016, the carrying amount of all County deposits was \$29,089,550. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, \$28,719,654 of the County's bank balance of \$29,570,386 was exposed to custodial risk as discussed below, while \$850,732 was covered by the FDIC.

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. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 29,089,550
Cash on hand	3,250
Total	<u>\$ 29,092,800</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 21,108,828
Business-type activities	921,211
Agency funds	<u>7,062,761</u>
Total	<u>\$ 29,092,800</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported on the fund financial statements:

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS (Continued)

<u>Transfers to general fund from:</u>	
Nonmajor governmental funds	\$ 15,000
 <u>Transfers to nonmajor governmental fund from:</u>	
General fund	1,132,227
Nonmajor governmental funds	<u>112,338</u>
Total	<u>\$ 1,259,565</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. \$15,000 in residual fund equity was transferred from nonmajor governmental funds to the general fund.

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, 2016, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 25,528
General	County view haven	17,160
General	Public assistance	11,869
General	Motor vehicle and gas tax	11,543
General	County board of DD	19,935
General	Senior center	2,910
General	Sanitary landfill	1,494
Motor vehicle and gas tax	Nonmajor governmental	3,551
Motor vehicle and gas tax	General	6,342
Motor vehicle and gas tax	Senior center	849
Nonmajor governmental	Nonmajor governmental	6,500
Nonmajor governmental	Senior center	<u>8,075</u>
Total due to/due from other funds		<u>\$ 115,756</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 position. Amounts due to/from other funds between governmental activities and business-type activities are reported as an internal balance on the statement of net position.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, other outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflows since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes has been offset by deferred inflows 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 inflow.

The full tax rate for all County operations for the year ended December 31, 2016 was \$14.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 670,355,280
Commercial/industrial/mineral	64,011,170
Public utility	<u>28,037,970</u>
Total assessed value	<u><u>\$ 762,404,420</u></u>

NOTE 7 - PERMISSIVE SALES AND USE TAX

In a prior year, the voters approved a .5% tax on sales with collection beginning on April 1, 2007. In 1987, the County Commissioners by resolution imposed a 1% percent tax on all retail sales (except sales of motor vehicles) made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Office of Budget and Management 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.

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 2016 and amounts that are measurable and available at year end are accrued as revenue. Amounts received outside the available period are recorded as deferred inflows on the fund financial statements and as revenue on the government-wide financial statements. Sales and use tax for 2016 amounted to \$4,140,526 as reported on the fund financial statements.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 8 - RECEIVABLES

Receivables at December 31, 2016, consisted of taxes, accrued interest, loans, accounts (billings for user charged services), special assessments, leases, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the financial statements. All interfund transactions related to charges for goods and services rendered have been classified as “due from other funds” on the fund financial statements which are eliminated on the government-wide statements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

Governmental activities:	<u>Amount</u>
Sales taxes	\$ 1,131,935
Property and other taxes	7,382,209
Accounts	63,916
Due from other governments	5,182,071
Special assessments	419,946
Accrued interest	8,598
Loans	1,597,775
Leases	70,000
Business-type activities:	
Accounts	514
Accrued interest	230

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, leases and the loans. The special assessments are collected over the term of the assessment and the loans receivable are collected over the term of the loan. The leases receivable will be collected annually through 2022.

NOTE 9 - LOANS RECEIVABLE

The County maintains revolving loan programs for local businesses to encourage business development in the County and housing rehabilitation to bring homes into conformance with local and state codes. In 2016, the CDBG Economic Development loans and the Microenterprise loans were consolidated into a single CDBG Economic Development account. A summary of the County’s loan activity for 2016 is as follows:

	<u>Balance</u> 12/31/15	<u>Issued</u>	<u>Payments/ Reductions</u>	<u>Balance</u> 12/31/16
CDBG Microenterprise	\$ 5,419	\$ -	\$ (5,419)	-
CDBG Economic Development	1,422,059	55,419	(246,669)	1,230,809
CDBG Housing	<u>327,007</u>	<u>46,756</u>	<u>(6,797)</u>	<u>366,966</u>
Total revolving loans	<u>\$ 1,754,485</u>	<u>\$ 102,175</u>	<u>\$ (258,885)</u>	<u>\$ 1,597,775</u>

The loans are reported in the nonmajor governmental funds as “loans receivable”.

NOTE 10 - LEASES RECEIVABLE

The County is the lessor of one building to Wesche & Harmon, Ltd.

The lease with Wesche & Harmon, Ltd. is \$500 per month, for the first four months of the lease, payable in monthly installments on or before the 1st of each month, and \$1,000 per month payable in monthly

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

NOTE 10 - LEASES RECEIVABLE (Continued)

installments on or before the 1st of each month for the remaining 118 months of the 122 month lease. The County is carrying the building on their books at a cost of \$120,000 and accumulated depreciation of \$30,000 for a carrying book value of \$90,000.

The future minimum lease payments as of December 31, 2016, are as follows:

Year Ending <u>December 31,</u>	Minimum <u>Lease Payments</u>
2017	\$ 12,000
2018	12,000
2019	12,000
2020	12,000
2021	12,000
2022	<u>10,000</u>
Totals	<u>\$ 70,000</u>

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance <u>12/31/15</u>	Additions	Disposals	Balance <u>12/31/16</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,003,318	\$ 295,500	\$ -	\$ 2,298,818
Construction in progress	<u>-</u>	<u>719,855</u>	<u>-</u>	<u>719,855</u>
Total capital assets, not being depreciated	<u>2,003,318</u>	<u>1,015,355</u>	<u>-</u>	<u>3,018,673</u>
<i>Capital assets, being depreciated:</i>				
Building and improvements	21,887,681	359,977	-	22,247,658
Equipment	1,597,908	325,644	(66,611)	1,856,941
Vehicles	5,319,191	475,727	(241,157)	5,553,761
Infrastructure	<u>47,177,769</u>	<u>1,036,092</u>	<u>-</u>	<u>48,213,861</u>
Total capital assets, being depreciated	<u>75,982,549</u>	<u>2,197,440</u>	<u>(307,768)</u>	<u>77,872,221</u>
<i>Less: accumulated depreciation:</i>				
Building and improvements	(14,662,235)	(399,723)	-	(15,061,958)
Equipment	(1,007,745)	(94,040)	54,255	(1,047,530)
Vehicles	(2,932,508)	(295,818)	165,423	(3,062,903)
Infrastructure	<u>(22,436,973)</u>	<u>(1,339,228)</u>	<u>-</u>	<u>(23,776,201)</u>
Total accumulated depreciation	<u>(41,039,461)</u>	<u>(2,128,809)</u>	<u>219,678</u>	<u>(42,948,592)</u>
Total capital assets being depreciated, net	<u>34,943,088</u>	<u>68,631</u>	<u>(88,090)</u>	<u>34,923,629</u>
Governmental activities capital assets, net	<u>\$ 36,946,406</u>	<u>\$ 1,083,986</u>	<u>\$ (88,090)</u>	<u>\$ 37,942,302</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 11 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government:

Legislative and executive	\$ 298,672
Judicial	20,654
Public safety	100,728
Public works	1,522,250
Health	31,217
Human services	143,523
Other	<u>11,765</u>

Total depreciation expense - governmental activities \$ 2,128,809

	Balance 12/31/15	Additions	Deductions	Balance 12/31/16
Business-type activities:				
<i>Capital assets, not being depreciated:</i>				
Land	<u>\$ 249,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 249,481</u>
Total capital assets, not being depreciated	<u>249,481</u>	<u>-</u>	<u>-</u>	<u>249,481</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	153,801	-	-	153,801
Machinery and equipment	215,115	-	-	215,115
Vehicles	421,920	-	-	421,920
Infrastructure	<u>466,421</u>	<u>-</u>	<u>-</u>	<u>466,421</u>
Total capital assets, being depreciated	<u>1,257,257</u>	<u>-</u>	<u>-</u>	<u>1,257,257</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(85,976)	(4,323)	-	(90,299)
Machinery and equipment	(92,718)	(10,873)	-	(103,591)
Vehicles	(364,640)	(10,888)	-	(375,528)
Infrastructure	<u>(104,945)</u>	<u>(23,321)</u>	<u>-</u>	<u>(128,266)</u>
Total accumulated depreciation	<u>(648,279)</u>	<u>(49,405)</u>	<u>-</u>	<u>(697,684)</u>
Total capital assets, being depreciated net	<u>608,978</u>	<u>(49,405)</u>	<u>-</u>	<u>559,573</u>
Business-type activities capital assets, net	<u>\$ 858,459</u>	<u>\$ (49,405)</u>	<u>\$ -</u>	<u>\$ 809,054</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.

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 12 - COMPENSATED ABSENCES – (Continued)

Each employee of the County with ten or more years of service with any Ohio local government or the State of Ohio is paid 50% of his or her accumulated unused sick leave, up to a maximum of 90 days or 720 hours upon retirement from the County. Each employee of the County Board of DD with five to ten 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 45 days or 360 hours upon retirement from the County.

At December 31, 2016, vested benefits for vacation leave for governmental activities employees totaled \$723,240 and vested benefits for sick leave totaled \$739,765. In addition, the County has recorded a liability in the governmental funds in the amount of \$1,559 for employees who have notified the County by December 31, 2016 of their intent to retire and \$55,262 for vacation and sick leave owed to employees due to the closure of the Country View Haven county home. 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 \$8,397 and vested benefits for sick leave totaled \$16,700. 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.

NOTE 13 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2016, the following changes occurred in the County’s governmental long-term obligations:

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16	Amount Due in One Year
Governmental activities:					
<u>General obligation bonds:</u>					
2003 - 5% Grelton					
waterline bond	\$ 8,000	\$ -	\$ -	\$ 8,000	\$ 4,000
Total general obligation bonds	8,000	-	-	8,000	4,000
<u>Special assessment bonds with governmental commitment:</u>					
1998 - 4.75%	47,474	-	(11,869)	35,605	11,869
Total special assessment bonds	47,474	-	(11,869)	35,605	11,869
<u>Other obligations:</u>					
Compensated absences	1,643,546	820,915	(944,635)	1,519,826	780,061
Net Pension Liability	9,151,909	4,015,573	-	13,167,482	-
Mortgage loan - 2%	16,361	-	(7,463)	8,898	7,614
Total other obligations	10,811,816	4,836,488	(952,098)	14,696,206	787,675
Total governmental activities long-term obligations	\$ 10,867,290	\$ 4,836,488	\$ (963,967)	\$ 14,739,811	\$ 803,544

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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. 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.

Mortgage loan

During 2003, County Board of DD 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 DD fund.

Henry County Senior Center loan

During 2016, the County Board of Commissioners entered into a loan agreement with the Henry County bank in the amount of \$4,100,000 to fund the acquisition of land and the provision of building materials and services for the construction of a new Henry County Senior Center facility. As of December 31, 2016 the County has not received any proceeds from the loan.

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 DD, public assistance and motor vehicle and gas tax funds.

Net Pension Liability

See Note 15 for information on this liability.

Future debt service requirements

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

Year Ended	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 4,000	\$ 400	\$ 4,400	\$ 11,869	\$ 515	\$ 12,384
2018	2,000	200	2,200	11,869	515	12,384
2019	2,000	100	2,100	11,867	515	12,382
Total	<u>\$ 8,000</u>	<u>\$ 700</u>	<u>\$ 8,700</u>	<u>\$ 35,605</u>	<u>\$ 1,545</u>	<u>\$ 37,150</u>

Year Ended	Mortgage Loan		
	Principal	Interest	Total
2017	\$ 7,614	\$ 108	\$ 7,722
2018	1,284	3	1,287
Total	<u>\$ 8,898</u>	<u>\$ 111</u>	<u>\$ 9,009</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-type Long-Term Obligations

During 2016, the following changes occurred in the County’s business-type long-term obligations:

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/16</u>	<u>Due in</u> <u>One Year</u>
Business-type activities:					
Net pension liability	\$ 124,980	\$ 54,568	\$ -	\$ 179,548	\$ -
Landfill closure and postclosure care liability	2,341,391	26,416	(55,394)	2,312,413	-
Compensated absences	<u>28,190</u>	<u>8,724</u>	<u>(11,817)</u>	<u>25,097</u>	<u>8,397</u>
Total	<u>\$ 2,494,561</u>	<u>\$ 89,708</u>	<u>\$ (67,211)</u>	<u>\$ 2,517,058</u>	<u>\$ 8,397</u>

Landfill closure and postclosure care liability
See Note 22 for information on this liability.

Compensated absences
Compensated absences will be paid from the sanitary landfill fund.

Net Pension Liability
See Note 15 for information on this liability.

- 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 \$18,395,396 at December 31, 2016 and the unvoted legal debt margin was \$8,459,329 at December 31, 2016.

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 2016, 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:

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 14 - RISK MANAGEMENT - (Continued)

	<u>Amount</u>
General Liability (per occurrence)	\$ 1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Automobile Liability and Physical Damage Liability (per occurrence)	1,000,000
Medical Payments	
Per Person	5,000
Per Occurrence	50,000
Uninsured Motorist (per person)	250,000
Physical Damage	Actual Cost
Flood and Earthquake (pool limit)	100,000,000
	<u>Amount</u>
Other Property Insurance:	
Extra Expense	\$ 1,000,000
EDP Media	Replacement Cost
Contractors' Equipment	Replacement Cost
Inland Marine	Replacement Cost
Automatic Acquisition	5,000,000
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. Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative Consortium

The County is participating in the Northern Buckeye Health Plan (the "Plan") – Northwest Division of Optimal Health Initiative Consortium (OHIC). The Plan is a public entity shared risk pool consisting of education entities within Defiance, Fulton, Henry, and Williams Counties. The Plan is governed by a Board elected from an Assembly consisting of a representative from each participating member.

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

pension plan's fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments/pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees, other than full-time police and firefighters, participate 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 and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>2.0 %</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The County's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$1,205,907 for 2016. Of this amount, \$151,177 is reported as due to other governments/pension and postemployment benefits payable.

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2015, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability or asset was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

	OPERS
Proportion of the net pension liability prior measurement date	0.09444400%
Proportion of the net pension liability current measurement date	<u>0.09311800%</u>
Change in proportionate share	<u>-0.00132600%</u>
Proportion of the net pension asset prior measurement date	0.04493500%
Proportion of the net pension asset current measurement date	<u>0.09272000%</u>
Change in proportionate share	<u>0.04778500%</u>
Proportionate share of the net pension liability	\$ 13,347,030
Proportionate share of the net pension asset	21,739
Pension expense	1,973,231

At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred outflows of resources	
Differences between expected and actual experience	\$ 854
Net difference between projected and actual earnings on pension plan investments	3,932,724
Changes in employer's proportionate percentage/ difference between employer contributions	6,961
City contributions subsequent to the measurement date	<u>1,205,907</u>
Total deferred outflows of resources	<u>\$ 5,146,446</u>
Deferred inflows of resources	
Differences between expected and actual experience	267,755
Changes in employer's proportionate percentage/ difference between employer contributions	<u>138,071</u>
Total deferred inflows of resources	<u>\$ 405,826</u>

\$1,205,907 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Year Ending December 31:	OPERS
2017	\$ 801,607
2018	859,370
2019	989,322
2020	888,860
2021	(1,141)
Thereafter	(3,304)
Total	\$ 3,534,714

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.80% simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 401 (h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	20.70	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the County's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 21,265,080	\$ 13,347,030	\$ 668,406
Combined Plan	(444)	(21,616)	(38,646)
Member-Directed Plan	323	(123)	(323)

Changes Between Measurement Date and Report Date - In October 2016, the OPERS Board adopted certain assumption changes which will impact the annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8 percent to 7.5 percent.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2016 was 2.00%.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$250,097, \$178,597, and \$230,173, respectively; 91.15% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments/pension and postemployment benefits payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, County Board of DD fund and motor vehicle and gas tax fund 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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General Fund</u>	Country View <u>Haven</u>	Public <u>Assistance</u>	Motor Vehicle <u>and Gas Tax</u>	County Board <u>of DD</u>	Senior <u>Center</u>
Budget basis	\$ 115,743	\$ (53,322)	\$ (13,357)	\$ 535,852	\$ 472,994	\$ (122,107)
Net adjustment for revenue accruals	(4,845)	(40,043)	20,063	44,529	50,030	5,054
Net adjustment for expenditure accruals	173,840	(48,157)	(16,197)	53,328	46,616	5,624
Adjustment for encumbrances	55,086	22,768	782	66,713	-	-
Funds budgeted elsewhere	<u>59,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$ 399,185</u>	<u>\$ (118,754)</u>	<u>\$ (8,709)</u>	<u>\$ 700,422</u>	<u>\$ 569,640</u>	<u>\$ (111,429)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the unclaimed funds fund, certification of title administration fund and recorder equipment computer fund.

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

HENRY COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE 18 – CONTINGENCIES – (Continued)

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.

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HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 19 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Country View Haven	Public Assistance	Motor Vehicle and Gas Tax	County Board of DD	Senior Center	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:								
Prepays	\$ 67,869	\$ 17,160	\$ 13,162	\$ 11,543	\$ 28,544	\$ 2,910	\$ 15,703	\$ 156,891
Materials and supplies inventory	11,558	-	4,471	121,860	6,275	-	3,548	147,712
Total nonspendable	79,427	17,160	17,633	133,403	34,819	2,910	19,251	304,603
Restricted:								
Debt service	-	-	-	-	-	-	126,660	126,660
Capital improvements	-	-	-	-	-	-	917,991	917,991
Public safety	-	-	-	-	-	-	401,921	401,921
Public works	-	-	-	2,945,415	-	-	3,625	2,949,040
Human services	-	-	572,908	-	3,079,605	351,164	495,402	4,499,079
Health programs	-	1,455,587	-	-	-	-	6,980	1,462,567
Economic development programs	-	-	-	-	-	-	2,176,903	2,176,903
Other purposes	-	-	-	-	-	-	3,205,180	3,205,180
Total restricted	-	1,455,587	572,908	2,945,415	3,079,605	351,164	7,334,662	15,739,341
Committed:								
Capital improvements	-	-	-	-	-	-	92,843	92,843
Public safety	-	-	-	-	-	-	33,255	33,255
Public works	-	-	-	-	-	-	85,451	85,451
Other purposes	-	-	-	-	-	-	22,527	22,527
Total committed	-	-	-	-	-	-	234,076	234,076
Assigned:								
Legislative and executive	5,105	-	-	-	-	-	-	5,105
Judicial	13,884	-	-	-	-	-	-	13,884
Public safety	13,345	-	-	-	-	-	-	13,345
Public works	2,004	-	-	-	-	-	-	2,004
Total assigned	34,338	-	-	-	-	-	-	34,338
Unassigned (deficit)	7,140,431	-	-	-	-	-	(11,733)	7,128,698
Total fund balances	\$ 7,254,196	\$ 1,472,747	\$ 590,541	\$ 3,078,818	\$ 3,114,424	\$ 354,074	\$ 7,576,256	\$ 23,441,056

NOTE 20 - PUBLIC ENTITY RISK POOL

The County Risk Sharing Authority, Inc., (CORSAs) 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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

NOTE 20 - PUBLIC ENTITY RISK POOL – (Continued)

contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

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

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2016 was \$115,885.

NOTE 21 - 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, 2016, health care facility revenue bonds outstanding aggregated \$2,910,000.

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 or other disposition of the 2006 Series bonds mentioned in the sub-sublease. These bonds do not constitute a debt or pledge of the faith and credit of the County or the State, and accordingly, have not been reported in the accompanying financial statements.

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

NOTE 22 - 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 \$2,312,413 as of December 31, 2016, which is based on approximately 100% usage (filled) of the landfill. The landfill was closed during 2013. The estimated total current cost 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, 2016. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 22 - CLOSURE AND POSTCLOSURE CARE COSTS – (Continued)

The County is required by State and federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 2016, cash and cash equivalents of \$702,951 are held for these purposes. These cash and cash equivalents 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 interest. The remaining portion of anticipated future inflation costs (including inadequate interest, 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 taxpayers.

NOTE 23 - OTHER COMMITMENTS

The County utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the County's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 34,381
Country View Haven	6,637
Motor Vehicle and Gas Tax	31,893
Nonmajor Governmental	<u>110,901</u>
Total	<u>\$ 183,812</u>

NOTE 24 – TAX ABATEMENTS

The County was part of multiple Enterprise Zone (EZ) tax abatement agreements with local businesses. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements.

The County entered into multiple property tax abatement agreements with property owners under The Ohio Community Reinvestment Area ("CRA") program. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the County designates areas to encourage revitalization of the existing housing stock and the development of new structures.

The total taxes abated by the two types of agreements for the County in 2016 was \$580,076.

NOTE 25 – SUBSEQUENT EVENTS

On February 24, 2017, the County permanently closed the Country View Haven county home. As of the date of this report, no assets have been sold.

REQUIRED SUPPLEMENTARY INFORMATION

HENRY COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST THREE YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>			
County's proportion of the net pension liability	0.093118%	0.094444%	0.094444%
County's proportionate share of the net pension liability	\$ 13,347,030	\$ 9,276,889	\$ 9,067,355
County's covered-employee payroll	\$ 9,042,375	\$ 9,564,533	\$ 11,231,962
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	147.61%	96.99%	80.73%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%
<i>Combined Plan:</i>			
County's proportion of the net pension asset	0.053680%	0.044935%	0.044935%
County's proportionate share of the net pension asset	\$ 21,590	\$ 14,090	\$ 3,840
County's covered-employee payroll	\$ 158,975	\$ 164,258	\$ 167,600
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	13.58%	8.58%	2.29%
Plan fiduciary net position as a percentage of the total pension asset	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>			
County's proportion of the net pension asset	0.039040%	n/a	n/a
County's proportionate share of the net pension asset	\$ 149	n/a	n/a
County's covered-employee payroll	\$ 214,425	n/a	n/a
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.07%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.91%	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the County's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

HENRY COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 1,157,602	\$ 1,085,085	\$ 1,147,744	\$ 1,460,155
Contributions in relation to the contractually required contribution	<u>(1,157,602)</u>	<u>(1,085,085)</u>	<u>(1,147,744)</u>	<u>(1,460,155)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 9,646,683	\$ 9,042,375	\$ 9,564,533	\$ 11,231,962
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 24,797	\$ 19,077	\$ 19,711	\$ 21,788
Contributions in relation to the contractually required contribution	<u>(24,797)</u>	<u>(19,077)</u>	<u>(19,711)</u>	<u>(21,788)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 206,642	\$ 158,975	\$ 164,258	\$ 167,600
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 23,508	\$ 26,091		
Contributions in relation to the contractually required contribution	<u>(23,508)</u>	<u>(26,091)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>		
County's covered-employee payroll	\$ 247,453	\$ 274,642		
Contributions as a percentage of covered-employee payroll	9.50%	9.50%		

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,135,250	\$ 1,204,980	\$ 1,043,150	\$ 1,002,088	\$ 482,900	\$ 602,308
<u>(1,135,250)</u>	<u>(1,204,980)</u>	<u>(1,043,150)</u>	<u>(1,002,088)</u>	<u>(482,900)</u>	<u>(602,308)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,352,500	\$ 12,049,800	\$ 11,694,507	\$ 12,325,571	\$ 6,898,571	\$ 7,213,269
10.00%	10.00%	8.92%	8.13%	7.00%	8.35%
\$ 19,195	\$ 16,358	\$ 18,743	\$ -	\$ -	\$ -
<u>(19,195)</u>	<u>(16,358)</u>	<u>(18,743)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 241,447	\$ 205,761	\$ 193,426	\$ -	\$ -	\$ -
7.95%	7.95%	9.69%	8.13%	7.00%	8.35%

HENRY COUNTY, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	PASSED THROUGH TO SUBRECIPIENTS	CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE				
PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5525		\$ 126,222
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
PASSED THROUGH THE OHIO DEPARTMENT SERVICES AGENCY				
OFFICE OF HOUSING AND COMMUNITY PARTNERSHIP				
FY 15 Community Development Block Grant/State's Program	14.228	B-F-15-1BF-1		342,200
FY 14 Community Development Block Grants/State's Program	14.228	B-C-14-1BF-1		142,725
Total CFDA # 14.228				<u>484,925</u>
Home Investment Partnerships Program	14.239	B-C-14-1BF-2		658,171
Total U.S. Department of Housing and Urban Development				<u>1,143,096</u>
U.S. DEPARTMENT OF LABOR				
PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES				
VIA AREA 7 WORKFORCE INVESTMENT BOARD				
<i>Workforce Innovation and Opportunity Act (WIOA) Cluster:</i>				
WIOA - Adult Program	17.258	2015-7135-1/2016-35-1		52,087
WIOA - Adult Program Administrative	17.258	2015-7135-1/2016-35-1		391
Total Adult Program				<u>52,478</u>
WIOA Youth Activities	17.259	2015-7135-1/2016-35-1	58,908	58,908
WIOA Youth Activities Administrative	17.259	2015-7135-1/2016-35-1	1,814	1,814
Total Youth Program				<u>60,722</u>
WIOA Dislocated Worker Formula Grants	17.278	2015-7135-1/2016-35-1		8,576
Total U.S. Department of Labor				<u>121,776</u>
U.S. DEPARTMENT OF TRANSPORTATION				
PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	OCPX-035-010-151		49,491
Total U.S. Department of Transportation				<u>49,491</u>

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HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	PASSED THROUGH TO SUBRECIPIENTS	CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF EDUCATION				
<u>PASSED THROUGH THE OHIO DEPARTMENT OF HEALTH</u>				
Special Education - Grants for Infants and Families (Help Me Grow)	84.181	03510031HG0116		51,695
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<u>PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</u>				
<i>Promoting Safe and Stable Families:</i>				
Caseworker Visits	93.556	G-1617-11-5525		1,308
Caseworker Visits Administration	93.556	G-1617-11-5525		131
ESSA Preservation	93.556	G-1617-11-5525		6,349
ESSA Preservation Operating	93.556	G-1617-11-5525		4,233
ESSA Reunification	93.556	G-1617-11-5525		8,553
ESSA Reunification Operating	93.556	G-1617-11-5525		3,739
Total Promoting Safe and Stable Families				<u>24,313</u>
Temporary Assistance for Needy Families (TANF)	93.558	G-1617-11-5525		477,956
Child Support Enforcement	93.563	N/A		318,135
Child Care and Development Block Grant	93.575	G-1617-11-5525		23,389
Community-Based Child Abuse Prevention Grants	93.590	G-1617-11-5525		1,650
<i>Stephanie Tubbs Jones Child Welfare Services Program:</i>				
Child Welfare Services-Title IV-B	93.645	G-1617-11-5525		39,503
Child Welfare Services-Title IV-B Admin	93.645	G-1617-11-5525		4,941
Total Stephanie Tubbs Jones Child Welfare Services Program				<u>44,444</u>
<i>Foster Care Title IV-E:</i>				
Title IV-E Foster Care Services	93.658	G-1617-11-5525		333,992
IV-E Administration & Training - Foster Care	93.658	G-1617-11-5525		31,463
Title IV- Contracts - Foster Care	93.658	G-1617-11-5525		5,718
Total Foster Care-Title IV-E				<u>371,173</u>
<i>Adoption Assistance:</i>				
IV-E Administration & Training	93.659	G-1617-11-5525		31,087
Non-Recurring Adoption	93.659	G-1617-11-5525		989
Title IV-E Contracts - Adoption Assistance	93.659	G-1617-11-5525		444
Total Adoption Assistance				<u>32,520</u>
Social Services Block Grant	93.667	G-1617-11-5525		257,495
Chafee Foster Care Independence Program	93.674	G-1617-11-5525		5,120
Children's Health Insurance Program	93.767	G-1617-11-5525		897
Total Passed Through the Ohio Job and Family Services				<u>1,557,092</u>
<u>PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES</u>				
Social Services Block Grant (Title XX)	93.667	N/A		<u>26,086</u>

--(continued)

HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	PASSED THROUGH TO SUBRECIPIENTS	CASH FEDERAL DISBURSEMENTS
<u>PASSED THROUGH THE OHIO DEPARTMENT OF MEDICAID</u>				
Medical Assistance Program - ODJFS	93.778	N/A		316,129
Medical Assistance Program - ODODD	93.778	N/A		77,402
Total Passed Through the Ohio Department of Medicaid				393,531
Total All Social Services Block Grant - CFDA #93.667				283,581
Total All Medical Assistance Programs - CFDA #93.778				393,531
<u>PASSED THROUGH THE AREA OFFICE OF AGING OF NORTHWESTERN OHIO, INC.</u>				
<i>Aging Cluster:</i>				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	N/A		51,617
Nutrition Services Incentive Program (NSIP)	93.053	N/A		19,751
Special Program for the Aging Title III, Part C Nutrition Services	93.045	N/A		45,389
Total Aging Cluster				116,757
Total U.S. Department of Health and Human Services				2,093,466
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
<u>PASSED THROUGH THE</u>				
<u>OHIO DEPARTMENT OF PUBLIC SAFETY</u>				
<i>Emergency Management Performance Grants:</i>				
Emergency Management Performance Grants - FY 2015 EMPG	97.042	EMW-2015-EP-00064		57,496
<i>Homeland Security Grant Program:</i>				
FY 14 State Homeland Security Program - SHSP	97.067	EMW-2014-SS-00101		11,387
FY 15 State Homeland Security Program - SHSP	97.067	EMW-2015-SS-00086		14,287
Total Homeland Security Grant Program				25,674
Total U.S. Department of Homeland Security				83,170
Total Federal Financial Assistance				\$ 3,668,916

The accompanying notes to this schedule are an integral part of this schedule.

HENRY COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Henry County, Ohio (the County) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECEIPIENTS

The County passes certain federal awards received from the Ohio Department of Job and Family Services (ODJFS) to other governments or not-for-profit agencies (sub recipients). As Note B describes, the County reports expenditures of federal awards to sub recipients when paid in cash.

As a sub recipient, the County has certain compliance responsibilities, such as monitoring its sub recipients to help assure they use these sub awards as authorized by laws, regulations and the provisions of contracts or grant agreements, and that sub recipients achieve the award's performance goals.

NOTE D - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The current cash balance of the County's local program income account as of December 31, 2016 is \$579,383.

NOTE E - MATCHING REQUIREMENTS

Certain federal programs require the County to contribute non-federal funds (matching funds) to support the federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-federal matching funds.

NOTE F – TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2016, the County made allowable transfers of \$174,090 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$477,956 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2016 and the amount transferred to the Social Services Block program.

Temporary Assistance for Needy Families (TANF)	\$	652,046
Transfer to Social Services Block Grant (SSBG)		<u>(174,090)</u>
Total	\$	<u>477,956</u>



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Henry County
660 North Perry Street
P.O. Box 546
Napoleon, Ohio 43545-0546

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio (the County) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 21, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

Entity's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the County's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 21, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Henry County
660 North Perry Street
P.O. Box 546
Napoleon, Ohio 43545-0546

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Henry County, Ohio's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Henry County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 21, 2017

HENRY COUNTY
SCHEDULE OF FINDINGS
 2 CFR § 200.515
 DECEMBER 31, 2016

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant/State's Program – CFDA #14.228 Home Investment Partnerships Program – CFDA #14.239 Temporary Assistance for Needy Families – CFDA #93.558
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2016-001

Noncompliance / Material Weakness

Ohio Rev. Code §5705.10(C) provides that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

In 2016, the County recorded property tax revenues of \$837,814 in the Senior Center Debt Service fund that were levied for the Senior Center Capital Projects fund. Additionally, capital outlay expenditures of \$27,414 that were associated with the project were recorded in the Senior Center Debt Service fund rather than the Senior Center Capital Projects fund. During the year, the County did transfer \$93,775 from the Senior Center Debt Service fund to the Senior Center Capital Projects fund to correct some of the misposting.

Due to the incorrect posting of revenues by the County, taxes receivable and the related deferred inflows of \$563,919 were recorded in the Senior Center Debt Service fund rather than the Senior Center Capital Projects fund by the County's report compiler.

These errors were a result of inadequate policies and procedures in recording property tax revenues and senior center project costs. The accompanying financial statements and accounting records have been adjusted to correct these errors.

We recommend the County record revenues and expenses in the proper funds.

FINDING NUMBER 2016-002

Noncompliance

Ohio Rev. Code §5705.36 provides that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.81 of the Rev. Code, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year. The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

During 2016, the County had amended official certificates of estimated resources approved by the budget commission at the end of each month. However, rather than submitting an estimate of revenue collections for the year, the revenue columns included year to date actual amounts only. Using improper amounts for amended official certificates of estimated resources caused the 'Original Budget' column on the County's budget vs. actual statements to vary from the first amended official certificate of estimated resources by amounts exceeding \$8 million, \$1.3 million, \$1.9 million, \$4.5 million, \$4.3 million, and \$638,000 for the General, Country View Haven, Public Assistance, Motor Vehicle and Gas Tax, County Board of DD, and Senior Center funds, respectively.

This error was a result of inadequate policies and procedures over the budgetary process. The County Commissioners approve a revenue budget annually which was used to prepare the budget vs. actual statements in this report. However, to maintain compliance with Ohio law, we recommend the County prepare amended official certificates of estimated resources using annual estimated revenue amounts rather than year to date actual amounts.

Officials' Response:

See corrective action plan for the above noted findings.

3. FINDINGS FOR FEDERAL AWARDS

None

HENRY COUNTY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material weakness over financial reporting due to material audit adjustments.	Partially corrected and repeated in Management Letter.	There was one reclassification for the current audit and it was not material. This error was a result of inadequate policies and procedures in reviewing the financial statements and recording revenues throughout the audit period. The County is implementing procedures to correct this error for the future.
2015-002	Material weakness over budgetary comparison schedules due to inaccurate amounts used in budget vs actual statements.	Partially corrected, and reported as noncompliance in Finding 2016-002.	This finding reoccurred due to inadequate policies and procedures over the budgetary process. The County is implementing procedures to correct these errors for the future.
2015-003	Noncompliance and material weakness due to material errors in CDBG expenditures reported on the federal schedule.	Corrective Action Taken and Finding is Fully Corrected.	

HENRY COUNTY

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The County will be working with consultants to ensure that the reporting deficiencies are corrected going forward and will implement an additional level of review to strengthen our internal controls on financial reporting that county revenues and expenses are reported in the proper funds.	FY 2017	Kevin Garringer, County Auditor
2016-002	The County will be working with consultants to ensure that the reporting deficiencies are corrected going forward and will implement an additional level of review to strengthen our internal controls on financial reporting for the county prepared amended official certificate of estimated resources.	FY 2017	Kevin Garringer, County Auditor



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HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 28, 2017