

HENRY COUNTY, OHIO

Basic Financial Statements

Year Ended December 31, 2018

With Independent Auditors' Report

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Commissioners
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We have reviewed the *Independent Auditor's Report* of Henry County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 12, 2019

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INDEPENDENT AUDITORS' REPORT

Henry County Board of Commissioners
Napoleon, Ohio:

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, 2018, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund, Public Assistance Fund, Motor Vehicle and Gas Tax Fund, County Board of DD Fund, and Senior Center Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2018, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for purposes of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 28, 2019

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HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018 (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, 2018. 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 2018 are as follows:

- The total net position of the County decreased \$3,701,802. Net position of governmental activities decreased \$3,522,930 from the 2017's restated net position and net position of business-type activities decreased \$178,872 from the 2017's restated net position.
- General revenues accounted for \$13,481,712 or 47.66% of total governmental activities revenue. Program specific revenues accounted for \$14,807,210 or 52.34% of total governmental activities revenues.
- The County had \$31,811,852 in expenses related to governmental activities. \$14,807,210 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$13,481,712 were not adequate to provide for these programs.
- The County's major governmental funds are the General fund, Public Assistance fund, Motor Vehicle and Gas Tax fund, County Board of Developmentally Disabled (DD) fund, and Senior Center fund. The General fund, the County's largest major fund, had revenues and other financing sources of \$9,874,945 and expenditures and other financing uses of \$10,205,990 in 2018. Fund balance decreased \$331,045 or 4.24% from 2017 to 2018.
- The Public Assistance fund, a County major fund, had revenues of \$2,128,037 and expenditures of \$2,001,298 in 2018. Fund balance increased \$126,739 or 25.81% from 2017 to 2018.
- The Motor Vehicle and Gas Tax fund, a County major fund, had revenues of \$4,488,355 and expenditures of \$4,184,162 in 2018. Fund balance increased \$304,193 or 6.77% from 2017 to 2018.
- The County Board of DD fund, a County major fund, had revenues of \$5,810,308 and expenditures of \$4,376,836 in 2018. Fund balance increased \$1,433,472 or 30.00% from 2017 to 2018.
- The Senior Center fund, a County major fund, had revenues of \$796,847 and expenditures of \$865,676 in 2018. Fund balance decreased \$68,829 or 32.79% from 2017 to 2018.
- Net position for the business-type activities, which include the Sanitary Landfill, Tower, Hahn Center and Monroe Township landfill fees enterprise funds, decreased in 2018 by \$178,872 or 15.95%.

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.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

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 five 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 2018?" 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 on the County's most significant funds. The County's major governmental funds are the General fund, Public Assistance fund, Motor Vehicle and Gas Tax fund, the County Board of Developmentally Disabled (DD) fund, and Senior Center fund.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

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. The notes are found immediately following the basic 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 County's net pension liability and net OPEB liability. The required supplementary information can be found immediately following the notes to the basic financial statements.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

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, 2018 and December 31, 2017. The net position at December 31, 2017 has been restated as described in Note 3.

| | Net Position | | | | | |
|-----------------------------------|------------------------------------|-------------------------------------|----------------------|-----------------------|----------------------|---------------------------|
| | Governmental Activities 2018 | Business-type Activities 2018 | Restated | Restated | 2018 Total | Restated 2017 Total |
| | | | Governmental | Business-type | | |
| | | | Activities 2017 | Activities 2017 | | |
| Assets: | | | | | | |
| Current and other assets | \$ 40,667,209 | \$ 828,896 | \$ 39,726,986 | \$ 956,500 | \$ 41,496,105 | \$ 40,683,486 |
| Capital assets, net | <u>38,860,699</u> | <u>716,201</u> | <u>40,192,152</u> | <u>762,374</u> | <u>39,576,900</u> | <u>40,954,526</u> |
| Total assets | <u>79,527,908</u> | <u>1,545,097</u> | <u>79,919,138</u> | <u>1,718,874</u> | <u>81,073,005</u> | <u>81,638,012</u> |
| Deferred outflows | <u>2,838,278</u> | <u>67,765</u> | <u>6,306,247</u> | <u>92,461</u> | <u>2,906,043</u> | <u>6,398,708</u> |
| Liabilities: | | | | | | |
| Long-term liabilities outstanding | 19,850,536 | 2,847,910 | 26,236,895 | 2,917,979 | 22,698,446 | 29,154,874 |
| Other liabilities | <u>1,518,253</u> | <u>13,905</u> | <u>834,612</u> | <u>12,176</u> | <u>1,532,158</u> | <u>846,788</u> |
| Total liabilities | <u>21,368,789</u> | <u>2,861,815</u> | <u>27,071,507</u> | <u>2,930,155</u> | <u>24,230,604</u> | <u>30,001,662</u> |
| Deferred inflows | <u>11,987,929</u> | <u>51,312</u> | <u>6,621,480</u> | <u>2,583</u> | <u>12,039,241</u> | <u>6,624,063</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 37,518,821 | 716,201 | 38,413,543 | 762,374 | 38,235,022 | 39,175,917 |
| Restricted | 16,405,005 | - | 14,891,141 | - | 16,405,005 | 14,891,141 |
| Unrestricted (deficit) | <u>(4,914,358)</u> | <u>(2,016,476)</u> | <u>(772,286)</u> | <u>(1,883,777)</u> | <u>(6,930,834)</u> | <u>(2,656,063)</u> |
| Total net position (deficit) | <u>\$ 49,009,468</u> | <u>\$ (1,300,275)</u> | <u>\$ 52,532,398</u> | <u>\$ (1,121,403)</u> | <u>\$ 47,709,193</u> | <u>\$ 51,410,995</u> |

The net pension liability (NPL) is the largest single liability reported by the County at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the County adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the County's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

In accordance with GASB 68 and GASB 75, the County's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the County is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$59,397,074 to \$52,532,398 for governmental activities and \$(1,021,031) to \$(1,121,403) for business-type activities.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2018, the County's assets and deferred outflows exceeded liabilities and deferred inflows by \$47,709,193. This amounts to \$49,009,468 in governmental activities and a deficit of \$1,300,275 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 48.82% of total governmental and business-type assets. Capital assets include land, buildings and improvements, machinery and equipment, vehicles and infrastructure. The net investment in capital assets at December 31, 2018 was \$38,235,022. 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.

A portion of the County's governmental activities net position, \$16,405,005 or 33.47%, 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 deficit of \$4,914,358.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

The table below shows the changes in net position for governmental and business-type activities for 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3.

| | | | Change in Net Position | | 2018 Total | Restated 2017 Total |
|--|----------------------|-----------------------|------------------------------------|-------------------------------------|----------------------|---------------------------|
| | Governmental | Business-type | Restated | Restated | | |
| | Activities 2018 | Activities 2018 | Governmental Activities 2017 | Business-type Activities 2017 | | |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services and sales | \$ 3,179,907 | \$ 407,337 | \$ 3,718,278 | \$ 458,448 | \$ 3,587,244 | \$ 4,176,726 |
| Operating grants and contributions | 10,801,042 | - | 11,391,797 | - | 10,801,042 | 11,391,797 |
| Capital grants and contributions | <u>826,261</u> | <u>-</u> | <u>1,689,471</u> | <u>-</u> | <u>826,261</u> | <u>1,689,471</u> |
| Total program revenues | <u>14,807,210</u> | <u>407,337</u> | <u>16,799,546</u> | <u>458,448</u> | <u>15,214,547</u> | <u>17,257,994</u> |
| General revenues: | | | | | | |
| Property taxes | 6,683,869 | - | 7,962,365 | - | 6,683,869 | 7,962,365 |
| Sales tax | 4,296,284 | - | 4,266,130 | - | 4,296,284 | 4,266,130 |
| Unrestricted grants | 1,644,333 | - | 1,562,993 | - | 1,644,333 | 1,562,993 |
| Investment earnings | 241,820 | 7,116 | 157,764 | 4,957 | 248,936 | 162,721 |
| Miscellaneous | <u>615,406</u> | <u>-</u> | <u>644,277</u> | <u>-</u> | <u>615,406</u> | <u>644,277</u> |
| Total general revenues | <u>13,481,712</u> | <u>7,116</u> | <u>14,593,529</u> | <u>4,957</u> | <u>13,488,828</u> | <u>14,598,486</u> |
| Total revenues | <u>28,288,922</u> | <u>414,453</u> | <u>31,393,075</u> | <u>463,405</u> | <u>28,703,375</u> | <u>31,856,480</u> |
| Expenses: | | | | | | |
| Program expenses: | | | | | | |
| General government | 5,834,495 | - | 5,274,690 | - | 5,834,495 | 5,274,690 |
| Public safety | 4,126,073 | - | 4,211,729 | - | 4,126,073 | 4,211,729 |
| Public works | 6,263,416 | - | 5,153,363 | - | 6,263,416 | 5,153,363 |
| Health | 357,495 | - | 942,848 | - | 357,495 | 942,848 |
| Human services | 11,064,096 | - | 10,371,381 | - | 11,064,096 | 10,371,381 |
| Economic development | 1,963,636 | - | 1,335,656 | - | 1,963,636 | 1,335,656 |
| Transportation | 741,695 | - | 723,682 | - | 741,695 | 723,682 |
| Intergovernmental | 267,499 | - | 321,417 | - | 267,499 | 321,417 |
| Other | 1,148,200 | - | 277,323 | - | 1,148,200 | 277,323 |
| Interest and fiscal charges | 45,247 | - | 12,663 | - | 45,247 | 12,663 |
| Sanitary landfill | - | 476,608 | - | 671,084 | 476,608 | 671,084 |
| Other business-type activities: | | | | | | |
| Tower fund | - | 19,841 | - | 35,451 | 19,841 | 35,451 |
| Hahn Center | - | 96,174 | - | 44,711 | 96,174 | 44,711 |
| Monroe Township landfill fees | <u>-</u> | <u>702</u> | <u>-</u> | <u>727</u> | <u>702</u> | <u>727</u> |
| Total expenses | <u>31,811,852</u> | <u>593,325</u> | <u>28,624,752</u> | <u>751,973</u> | <u>32,405,177</u> | <u>29,376,725</u> |
| Change in net position | (3,522,930) | (178,872) | 2,768,323 | (288,568) | (3,701,802) | 2,479,755 |
| Net position (deficit) at beginning of year (restated) | | | | | | |
| | <u>52,532,398</u> | <u>(1,121,403)</u> | <u>N/A</u> | <u>N/A</u> | <u>51,410,995</u> | <u>N/A</u> |
| Net position (deficit) at end of year | <u>\$ 49,009,468</u> | <u>\$ (1,300,275)</u> | <u>\$ 52,532,398</u> | <u>\$ (1,121,403)</u> | <u>\$ 47,709,193</u> | <u>\$ 51,410,995</u> |

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$121,143 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$390,555.

Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

| | Governmental Activities | Business-Type Activities |
|---|----------------------------|-----------------------------|
| Total 2018 program expenses under GASB 75 | \$ 31,811,852 | \$ 593,325 |
| OPEB expense under GASB 75 | (377,060) | (13,495) |
| 2018 contractually required contributions | <u>15,091</u> | <u>268</u> |
| Adjusted 2018 program expenses | 31,449,883 | 580,098 |
| Total 2017 program expenses under GASB 45 | <u>28,624,752</u> | <u>751,973</u> |
| Increase (decrease) in program expenses not related to OPEB | <u>\$ 2,825,131</u> | <u>\$ (171,875)</u> |

Governmental Activities

Governmental net position decreased by \$3,522,930 or 6.71% in 2018 due to a decrease in revenues and an increase in expenses.

The decrease in revenues is a result of several factors. Charges for services revenue was lower in 2018 primarily due to a decrease in real estate assessment fees. Capital grants and contributions also decreased considerably, which is mostly a result of grants and contributions received in 2017 for improvements to the senior center. That project was completed in 2017. Finally, property taxes decreased significantly due to the discontinuation of the County Home levy and a one-year inside millage reduction.

The State and federal government contributed to the County revenues of \$10,801,042 in operating grants and contributions and \$826,261 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$4,630,300, or 42.87%, subsidized human services programs.

General revenues totaled \$13,481,712 and amounted to 47.66% of total revenues. These revenues primarily consist of property and sales tax revenue of \$10,980,153 or 81.44% of total general revenues in 2018. The other primary source of general revenues is grants and entitlements not restricted to specific programs of \$1,644,333.

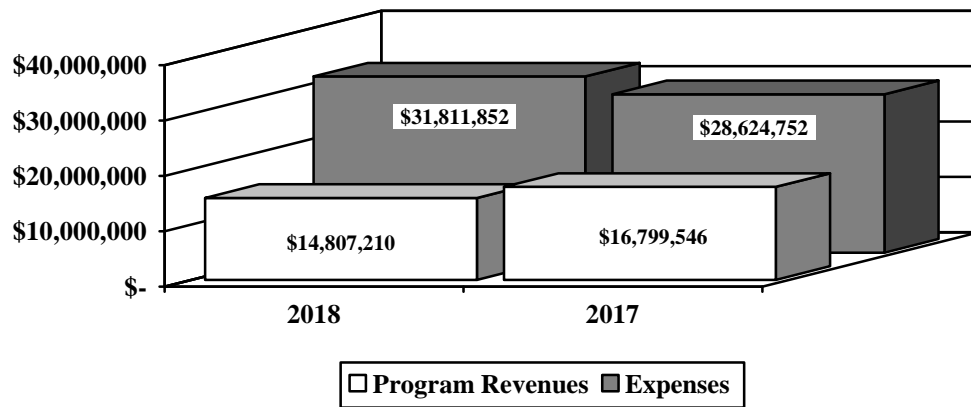
HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

Human services, which supports the operations of the County Board of DD fund, Senior Center fund, and Public Assistance fund, accounts for \$11,064,096 of expenses, or 34.78% of total governmental expenses of the County. These expenses were funded by \$496,349 in charges to users of services, \$4,630,300 in operating grants and \$98,265 in capital grants and contributions 2018. General government expenses which includes legislative and executive and judicial programs, totaled \$5,834,495 or 18.34% of total governmental expenses. General government expenses were partially covered by \$1,022,410 of direct charges to users and \$28,703 in operating grants in 2018.

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 2018 and 2017. 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 2018 and 2017. 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

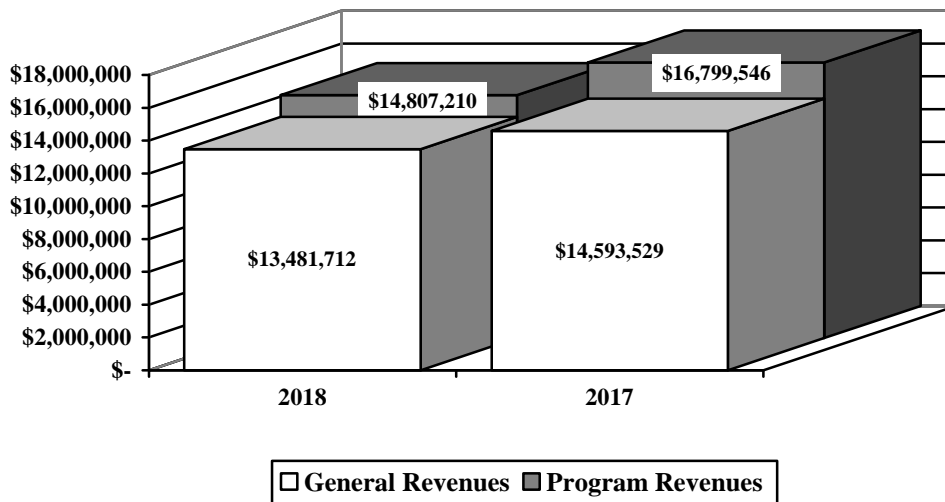
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Governmental Activities

| | Total Cost of Services 2018 | Net Cost of Services 2018 | Total Cost of Services 2017 | Net Cost of Services 2017 |
|-------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program expenses: | | | | |
| General government | \$ 5,834,495 | \$ 4,355,509 | \$ 5,274,690 | \$ 3,281,008 |
| Public safety | 4,126,073 | 3,685,148 | 4,211,729 | 3,705,276 |
| Public works | 6,263,416 | 998,190 | 5,153,363 | (521,103) |
| Health | 357,495 | 158,126 | 942,848 | 615,956 |
| Human services | 11,064,096 | 5,839,182 | 10,371,381 | 4,155,236 |
| Economic development and assistance | 1,963,636 | 644,960 | 1,335,656 | 145,387 |
| Transportation | 741,695 | 47,693 | 723,682 | (74,972) |
| Intergovernmental | 267,499 | 267,499 | 321,417 | 321,417 |
| Other | 1,148,200 | 963,088 | 277,323 | 184,338 |
| Interest and fiscal charges | 45,247 | 45,247 | 12,663 | 12,663 |
| Total | \$ 31,811,852 | \$ 17,004,642 | \$ 28,624,752 | \$ 11,825,206 |

The dependence upon general revenues for governmental activities is apparent, with 53.45% and 41.31% of expenses supported through taxes and other general revenues during 2018 and 2017, respectively. The graph below illustrates the County's reliance upon general revenues.

Governmental Activities – General and Program Revenues



HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

Business-type Activities

The Sanitary Landfill, Tower, Hahn Center and Monroe Township landfill fees are the County's enterprise funds. These programs had program revenues of \$407,337, general revenues of \$7,116, and expenses of \$593,325 for 2018. Net position decreased \$178,872 or 15.95% during 2018.

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 \$26,671,464, which is \$823,599 less than last year's total of \$27,495,063. The following schedule indicates the fund balance and the total change in fund balance as of December 31, 2018 and December 31, 2017 for all major and nonmajor governmental funds.

| | <u>Fund Balance</u> <u>December 31, 2018</u> | <u>Fund Balance</u> <u>December 31, 2017</u> | <u>Increase</u> <u>(Decrease)</u> |
|-----------------------------------|---|---|--------------------------------------|
| Major funds: | | | |
| General | \$ 7,484,144 | \$ 7,815,189 | \$ (331,045) |
| Public assistance fund | 617,811 | 491,072 | 126,739 |
| Motor vehicle and gas tax | 4,800,721 | 4,496,528 | 304,193 |
| County board of DD | 6,211,169 | 4,777,697 | 1,433,472 |
| Senior center fund | 141,096 | 209,925 | (68,829) |
| Other nonmajor governmental funds | <u>7,416,523</u> | <u>9,704,652</u> | <u>(2,288,129)</u> |
| Total | <u>\$ 26,671,464</u> | <u>\$ 27,495,063</u> | <u>\$ (823,599)</u> |

General Fund

The General fund, the County's largest major fund, had revenues and other financing sources of \$9,874,945 and expenditures and other financing uses of \$10,205,990 in 2018. Fund balance decreased \$331,045 or 4.24% from 2017 to 2018.

The table that follows assists in illustrating the revenues of the general fund during 2018 and 2017.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

| | 2018 <u>Amount</u> | 2017 <u>Amount</u> | Percentage <u>Change</u> |
|-----------------------|-----------------------|-----------------------|-----------------------------|
| Revenues: | | | |
| Taxes | \$ 5,623,960 | \$ 6,518,019 | (13.72) % |
| Charges for services | 1,248,240 | 1,131,089 | 10.36 % |
| Licenses and permits | 1,469 | 1,659 | (11.45) % |
| Fines and forfeitures | 40,784 | 51,335 | (20.55) % |
| Intergovernmental | 1,052,075 | 1,448,559 | (27.37) % |
| Investment income | 235,568 | 156,977 | 50.07 % |
| Other | <u>636,312</u> | <u>672,045</u> | (5.32) % |
| Total | <u>\$ 8,838,408</u> | <u>\$ 9,979,683</u> | (11.44) % |

Property taxes revenue decreased considerably due to a one-year inside millage reduction. The decrease in intergovernmental revenue was due to amounts received for the medicaid transitional sales tax in 2017. The increase in investment income is due to investments performing well and an increase in the amount of investments in 2018.

The table that follows assists in illustrating the expenditures of the general fund during 2018 and 2017.

| | 2018 <u>Amount</u> | 2017 <u>Amount</u> | Percentage <u>Change</u> |
|-------------------------------------|-----------------------|-----------------------|-----------------------------|
| Expenditures: | | | |
| Current: | | | |
| General government | | | |
| Legislative and executive | \$ 2,580,758 | \$ 2,297,334 | 12.34 % |
| Judicial | 1,490,649 | 1,348,909 | 10.51 % |
| Public safety | 3,133,386 | 2,999,658 | 4.46 % |
| Public works | 175,329 | 128,721 | 36.21 % |
| Health | 41,182 | 41,497 | (0.76) % |
| Human services | 310,361 | 274,776 | 12.95 % |
| Economic development and assistance | 157,045 | 120,859 | 29.94 % |
| Intergovernmental | 267,499 | 321,417 | (16.78) % |
| Other | <u>958,217</u> | <u>179,271</u> | 434.51 % |
| Total | <u>\$ 9,114,426</u> | <u>\$ 7,712,442</u> | 18.18 % |

The overall increase in general fund expenditures is due in part to increased costs for salaries and wages and employee benefits such as pension and health insurance premiums. The County also had an increase in other expenditures as a result of additional amounts for unanticipated emergencies.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

Public Assistance Fund

The Public Assistance fund, a County major fund, had revenues of \$2,128,037 and expenditures of \$2,001,298 in 2018. Both revenues and expenditures increased due to additional grant funding and services provided in 2018. Fund balance increased \$126,739 or 25.81% from 2017 to 2018.

Motor Vehicle and Gas Tax Fund

The Motor Vehicle and Gas Tax fund, a County major fund, had revenues of \$4,488,355 and expenditures of \$4,184,162 in 2018. Expenditures increased over the prior year due to additional road improvement projects. Fund balance increased \$304,193 or 6.77% from 2017 to 2018.

County Board of Developmental Disabled (DD) Fund

The County Board of DD fund, a County major fund, had revenues of \$5,810,308 and expenditures of \$4,376,836 in 2018. These amounts were comparable to prior year amounts. Fund balance increased \$1,433,472 or 30.00% from 2017 to 2018.

Senior Center Fund

The Senior Center fund, a County major fund, had revenues of \$796,847 and expenditures of \$865,676 in 2018. Revenues increased compared to the prior year which is mostly due to slightly higher property tax collections and intergovernmental grants and entitlements. Fund balance decreased \$68,829 or 32.79% from 2017 to 2018.

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 and other financing sources were \$8,947,833. Final budgeted revenues and other financing sources were \$10,007,377. Actual revenues and other financing sources of \$9,717,541 were lower than final budgeted revenues by \$289,836. Most of this variance was for intergovernmental revenues due to a decline in homestead and rollback reimbursements from the State. Original budgeted expenditures and other financing uses were \$9,019,046. Final budgeted expenditures and other financing uses were \$10,377,690. Actual expenditures and other financing uses of \$9,972,996 were less than final budgeted expenditures by \$404,694 due to conservative spending by the County.

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, 2018
(UNAUDITED)

Sanitary Landfill Fund

The Sanitary Landfill fund had operating revenues of \$303,897 and operating expenses of \$476,608 in 2018. Operating expenses decreased as a result of landfill post-closure costs declining in 2018. The sanitary landfill fund also reported \$7,116 in non-operating revenues during 2018. The total change in net position for 2018 was a decrease of \$165,595.

Capital Assets and Debt Administration

Capital Assets

At the end of 2018, the County had \$39,576,900 (net of accumulated depreciation) invested in land, buildings and improvements, machinery and equipment, vehicles and infrastructure. Of this total, \$38,860,699 was reported in governmental activities and \$716,201 was reported in business-type activities. The following table shows December 31, 2018 balances compared to December 31, 2017.

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

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|---------------------------|--------------------------------|---------------------|---------------------------------|-------------------|---------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 2,233,818 | \$ 2,298,818 | \$ 249,481 | \$ 249,481 | \$ 2,483,299 | \$ 2,548,299 |
| Building and improvements | 10,163,817 | 10,659,876 | 57,846 | 60,674 | 10,221,663 | 10,720,550 |
| Machinery and equipment | 807,722 | 861,701 | 92,238 | 101,881 | 899,960 | 963,582 |
| Vehicles | 2,280,478 | 2,289,115 | 25,123 | 35,504 | 2,305,601 | 2,324,619 |
| Infrastructure | <u>23,374,864</u> | <u>24,082,642</u> | <u>291,513</u> | <u>314,834</u> | <u>23,666,377</u> | <u>24,397,476</u> |
| Total | <u>\$38,860,699</u> | <u>\$40,192,152</u> | <u>\$ 716,201</u> | <u>\$ 762,374</u> | <u>\$39,576,900</u> | <u>\$40,954,526</u> |

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

Debt Administration

At December 31, 2018 the County had \$3,851,623 in general obligation bonds, Henry County senior center loan, mortgage loan and an estimated liability for landfill/post closure. Of this total \$526,033 is due within one year and \$3,325,590 is due in greater than one year. The following table summarizes the outstanding debt at December 31, 2018 and 2017.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Outstanding Long-Term Obligations, at Year End

| | Governmental Activities 2018 | Restated Governmental Activities 2017 | Business-type Activities 2018 | Business-type Activities 2017 | Total 2018 | Restated Total 2017 |
|--|------------------------------------|--|-------------------------------------|-------------------------------------|---------------------|---------------------------|
| Long-term obligations: | | | | | | |
| General obligation bonds | \$ 2,000 | \$ 8,000 | \$ - | \$ - | \$ 2,000 | \$ 8,000 |
| Special assessment bonds | - | 15,884 | - | - | - | 15,884 |
| Henry County senior center loan | 1,339,878 | 1,595,890 | - | - | 1,339,878 | 1,595,890 |
| Mortgage loan | - | 1,284 | - | - | - | 1,284 |
| Estimated liability for landfill closure/post closure | - | - | <u>2,509,745</u> | <u>2,552,605</u> | <u>2,509,745</u> | <u>2,552,605</u> |
| Total | <u>\$ 1,341,878</u> | <u>\$ 1,621,058</u> | <u>\$ 2,509,745</u> | <u>\$ 2,552,605</u> | <u>\$ 3,851,623</u> | <u>\$ 4,173,663</u> |

At December 31, 2018 the County's overall legal debt margin was \$18,893,703. See Note 12 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 County's average unemployment rate for 2018 was 4.9%, compared to the 4.5% state average and the 3.9% 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 2019. Budgeted revenues and other financing sources in the general fund for 2019 is \$9,276,765. 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, 2018

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets: | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 22,735,114 | \$ 340,437 | \$ 23,075,551 |
| Cash in segregated accounts | 2,011,988 | - | 2,011,988 |
| Receivables: | | | |
| Sales taxes | 1,050,756 | - | 1,050,756 |
| Property and other taxes | 8,082,674 | - | 8,082,674 |
| Accounts | 77,967 | 3,951 | 81,918 |
| Due from other governments | 4,834,169 | - | 4,834,169 |
| Special assessments | 316,303 | - | 316,303 |
| Accrued interest | 37,903 | 625 | 38,528 |
| Loans | 1,258,417 | - | 1,258,417 |
| Prepayments | 75,555 | 157 | 75,712 |
| Materials and supplies inventory | 127,802 | 53 | 127,855 |
| Net pension asset | 58,561 | 1,040 | 59,601 |
| Restricted assets: | | | |
| Equity in pooled cash and cash equivalents . | - | 482,633 | 482,633 |
| Capital assets: | | | |
| Land | 2,233,818 | 249,481 | 2,483,299 |
| Depreciable capital assets, net | 36,626,881 | 466,720 | 37,093,601 |
| Total capital assets, net | <u>38,860,699</u> | <u>716,201</u> | <u>39,576,900</u> |
| Total assets | <u>79,527,908</u> | <u>1,545,097</u> | <u>81,073,005</u> |
| Deferred outflows of resources: | | | |
| Pension | 2,321,953 | 51,392 | 2,373,345 |
| OPEB | 516,325 | 16,363 | 532,688 |
| Total deferred outflows of resources | <u>2,838,278</u> | <u>67,755</u> | <u>2,906,033</u> |
| Total assets and deferred outflows of resources . | <u>82,366,186</u> | <u>1,612,852</u> | <u>83,979,038</u> |
| Liabilities: | | | |
| Accounts payable | 966,654 | 3,565 | 970,219 |
| Contracts payable | 26,860 | - | 26,860 |
| Accrued wages and benefits payable | 230,339 | 3,436 | 233,775 |
| Pension obligation payable | 134,600 | 1,967 | 136,567 |
| Due to other governments | 70,544 | 4,937 | 75,481 |
| Deposits held and due to others | 11,988 | - | 11,988 |
| Amount to be repaid to claimants | 69,016 | - | 69,016 |
| Accrued interest payable | 8,252 | - | 8,252 |
| Long-term liabilities: | | | |
| Due within one year | 1,198,438 | 7,302 | 1,205,740 |
| Net pension liability | 10,016,425 | 177,869 | 10,194,294 |
| Net OPEB liability | 6,811,201 | 120,952 | 6,932,153 |
| Due in more than one year | 1,824,472 | 2,541,787 | 4,366,259 |
| Total liabilities | <u>21,368,789</u> | <u>2,861,815</u> | <u>24,230,604</u> |
| Deferred inflows of resources: | | | |
| Property taxes levied for the next year | 7,685,531 | - | 7,685,531 |
| Pension | 3,362,777 | 42,302 | 3,405,079 |
| OPEB | 939,621 | 9,010 | 948,631 |
| Total deferred inflows of resources | <u>11,987,929</u> | <u>51,312</u> | <u>12,039,241</u> |
| Net position: | | | |
| Net investment in capital assets | 37,518,821 | 716,201 | 38,235,022 |
| Restricted for: | | | |
| Capital projects | 1,148,759 | - | 1,148,759 |
| Debt service | 81,417 | - | 81,417 |
| Public safety programs | 29,026 | - | 29,026 |
| Public works projects | 3,228,647 | - | 3,228,647 |
| Human services | 6,911,887 | - | 6,911,887 |
| Health programs | 444,144 | - | 444,144 |
| Economic development programs | 1,654,696 | - | 1,654,696 |
| Other purposes | 2,906,429 | - | 2,906,429 |
| Unrestricted (deficit) | <u>(4,914,358)</u> | <u>(2,016,476)</u> | <u>(6,930,834)</u> |
| Total net position (deficit) | <u>\$ 49,009,468</u> | <u>\$ (1,300,275)</u> | <u>\$ 47,709,193</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <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 | \$ 3,855,671 | \$ 1,022,410 | \$ 28,703 | \$ - |
| Judicial | 1,978,824 | 410,986 | 16,887 | - |
| Public safety | 4,126,073 | 261,739 | 179,186 | - |
| Public works | 6,263,416 | 155,805 | 4,381,425 | 727,996 |
| Health | 357,495 | 144,116 | 55,253 | - |
| Human services | 11,064,096 | 496,349 | 4,630,300 | 98,265 |
| Economic development and assistance . . | 1,963,636 | - | 1,318,676 | - |
| Transportation | 741,695 | 688,502 | 5,500 | - |
| Intergovernmental | 267,499 | - | - | - |
| Other | 1,148,200 | - | 185,112 | - |
| Interest and fiscal charges | 45,247 | - | - | - |
| Total governmental activities | 31,811,852 | 3,179,907 | 10,801,042 | 826,261 |
| Business-type activities: | | | | |
| Sanitary landfill | 476,608 | 303,897 | - | - |
| Other business-type activities: | | | | |
| Tower fund | 19,841 | 23,273 | - | - |
| Hahn Center | 96,174 | 79,460 | - | - |
| Monroe Township landfill fees | 702 | 707 | - | - |
| Total business-type activities | 593,325 | 407,337 | - | - |
| Total primary government | \$ 32,405,177 | \$ 3,587,244 | \$ 10,801,042 | \$ 826,261 |

General revenues:

Property taxes levied for:

| | |
|--|--|
| General purposes | |
| Human services - County Board of DD. | |
| Human services - Senior Center. | |
| 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 (restated)

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 |
|------------------------------------|-------------------------------------|----------------|
| \$ (2,804,558) | \$ - | \$ (2,804,558) |
| (1,550,951) | - | (1,550,951) |
| (3,685,148) | - | (3,685,148) |
| (998,190) | - | (998,190) |
| (158,126) | - | (158,126) |
| (5,839,182) | - | (5,839,182) |
| (644,960) | - | (644,960) |
| (47,693) | - | (47,693) |
| (267,499) | - | (267,499) |
| (963,088) | - | (963,088) |
| (45,247) | - | (45,247) |
| (17,004,642) | - | (17,004,642) |
| - | (172,711) | (172,711) |
| - | 3,432 | 3,432 |
| - | (16,714) | (16,714) |
| - | 5 | 5 |
| - | (185,988) | (185,988) |
| (17,004,642) | (185,988) | (17,190,630) |
| 1,351,918 | - | 1,351,918 |
| 4,189,432 | - | 4,189,432 |
| 1,142,519 | - | 1,142,519 |
| 4,296,284 | - | 4,296,284 |
| 1,644,333 | - | 1,644,333 |
| 241,820 | 7,116 | 248,936 |
| 615,406 | - | 615,406 |
| 13,481,712 | 7,116 | 13,488,828 |
| (3,522,930) | (178,872) | (3,701,802) |
| 52,532,398 | (1,121,403) | 51,410,995 |
| \$ 49,009,468 | \$ (1,300,275) | \$ 47,709,193 |

HENRY COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

| | General | Public Assistance | Motor Vehicle and Gas Tax | County Board of DD |
|---|----------------------|------------------------------|--|-------------------------------|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 6,771,404 | \$ 392,089 | \$ 2,281,407 | \$ 6,540,685 |
| Cash in segregated accounts | - | - | 2,000,000 | 202 |
| Receivables: | | | | |
| Sales taxes | 1,050,756 | - | - | - |
| Property and other taxes | 1,949,014 | - | - | 4,929,858 |
| Accounts | 19,337 | - | 6,043 | 7,518 |
| Due from other governments | 523,352 | 1,417,216 | 1,952,949 | 239,979 |
| Special assessments | - | - | - | - |
| Accrued interest | 34,764 | - | 2,589 | - |
| Loans | - | - | - | - |
| Due from other funds | 16,687 | - | 9,390 | - |
| Prepayments | 30,366 | 4,955 | - | 12,658 |
| Materials and supplies inventory | 14,768 | 4,404 | 100,069 | 4,022 |
| Total assets | <u>\$ 10,410,448</u> | <u>\$ 1,818,664</u> | <u>\$ 6,352,447</u> | <u>\$ 11,734,922</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 12,139 | \$ - | \$ 59,429 | \$ 312,273 |
| Contracts payable | - | - | - | - |
| Accrued wages and benefits payable | 86,513 | 28,991 | 39,074 | 39,443 |
| Compensated absences payable | - | - | 34,097 | 4,534 |
| Due to other funds | 4,195 | 63 | - | - |
| Due to other governments | 5,599 | 420 | 62,507 | 572 |
| Pension obligation payable | 53,865 | 17,157 | 18,187 | 20,824 |
| Deposits held and due to others | - | - | - | 202 |
| Amount to be repaid to claimants | 69,016 | - | - | - |
| Total liabilities | <u>231,327</u> | <u>46,631</u> | <u>213,294</u> | <u>377,848</u> |
| Deferred inflows of resources: | | | | |
| Property taxes levied for the next year | 1,853,249 | - | - | 4,687,629 |
| Delinquent property tax revenue not available | 95,765 | - | - | 242,229 |
| Accrued interest not available | 10,476 | - | 2,589 | - |
| Special assessments revenue not available | - | - | - | - |
| Sales tax revenue not available | 381,851 | - | - | - |
| Unavailable grant revenue | - | 1,154,222 | - | - |
| Nonexchange transactions | 353,636 | - | 1,335,843 | 216,047 |
| Total deferred inflows of resources | <u>2,694,977</u> | <u>1,154,222</u> | <u>1,338,432</u> | <u>5,145,905</u> |
| Fund balances: | | | | |
| Nonspendable | 45,134 | 9,359 | 100,069 | 16,680 |
| Restricted | - | 608,452 | 4,700,652 | 6,194,489 |
| Committed | - | - | - | - |
| Assigned | 35,660 | - | - | - |
| Unassigned | 7,403,350 | - | - | - |
| Total fund balances | <u>7,484,144</u> | <u>617,811</u> | <u>4,800,721</u> | <u>6,211,169</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 10,410,448</u> | <u>\$ 1,818,664</u> | <u>\$ 6,352,447</u> | <u>\$ 11,734,922</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Senior Center | Other Governmental Funds | Total Governmental Funds |
|--------------------------|---|---|
| \$ 155,378 | \$ 6,594,151 | \$ 22,735,114 |
| 11,786 | - | 2,011,988 |
| - | - | 1,050,756 |
| 573,239 | 630,563 | 8,082,674 |
| 106 | 44,963 | 77,967 |
| 8,569 | 692,104 | 4,834,169 |
| - | 316,303 | 316,303 |
| - | 550 | 37,903 |
| - | 1,258,417 | 1,258,417 |
| - | 7,112 | 33,189 |
| - | 27,576 | 75,555 |
| - | 4,539 | 127,802 |
| <u>\$ 749,078</u> | <u>\$ 9,576,278</u> | <u>\$ 40,641,837</u> |
| | | |
| \$ 345 | \$ 582,468 | \$ 966,654 |
| - | 26,860 | 26,860 |
| 8,262 | 28,056 | 230,339 |
| - | - | 38,631 |
| 926 | 28,005 | 33,189 |
| 120 | 1,326 | 70,544 |
| 4,735 | 19,832 | 134,600 |
| 11,786 | - | 11,988 |
| - | - | 69,016 |
| <u>26,174</u> | <u>686,547</u> | <u>1,581,821</u> |
| | | |
| 545,073 | 599,580 | 7,685,531 |
| 28,166 | 30,983 | 397,143 |
| - | 550 | 13,615 |
| - | 316,303 | 316,303 |
| - | - | 381,851 |
| - | 516,368 | 1,670,590 |
| 8,569 | 9,424 | 1,923,519 |
| <u>581,808</u> | <u>1,473,208</u> | <u>12,388,552</u> |
| | | |
| - | 32,115 | 203,357 |
| 141,096 | 7,339,650 | 18,984,339 |
| - | 200,286 | 200,286 |
| - | - | 35,660 |
| - | (155,528) | 7,247,822 |
| <u>141,096</u> | <u>7,416,523</u> | <u>26,671,464</u> |
| | | |
| <u>\$ 749,078</u> | <u>\$ 9,576,278</u> | <u>\$ 40,641,837</u> |

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HENRY COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

| | | | |
|--|----|--------------|--------------|
| Total governmental fund balances | | \$ | 26,671,464 |
| <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. | | | 38,860,699 |
| The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds. | | | 58,561 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | | |
| Property taxes receivable | \$ | 397,143 | |
| Sales taxes receivable | | 381,851 | |
| Special assessments receivable | | 316,303 | |
| Intergovernmental receivable | | 3,594,109 | |
| Accrued interest receivable | | 13,615 | |
| Total | | 4,703,021 | 4,703,021 |
| 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. | | | (8,252) |
| 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 of resources | | 2,321,953 | |
| Deferred inflows of resources | | (3,362,777) | |
| Net pension liability | | (10,016,425) | |
| Total | | (11,057,249) | (11,057,249) |
| The net OPEB liability is not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds. | | | |
| Deferred outflows of resources | | 516,325 | |
| Deferred inflows of resources | | (939,621) | |
| Net OPEB liability | | (6,811,201) | |
| Total | | (7,234,497) | (7,234,497) |
| 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 | | (2,000) | |
| Loans payable | | (1,339,878) | |
| Compensated absences payable | | (1,642,401) | |
| Total | | (2,984,279) | (2,984,279) |
| Net position of governmental activities | | \$ | 49,009,468 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>General</u> | <u>Public Assistance</u> | <u>Motor Vehicle and Gas Tax</u> | <u>County Board of DD</u> |
|--|---------------------|------------------------------|--|-------------------------------|
| Revenues: | | | | |
| Sales taxes | \$ 4,304,635 | \$ - | \$ - | \$ - |
| Property and other taxes | 1,319,325 | - | - | 4,218,841 |
| Charges for services | 1,248,240 | - | - | 346,669 |
| Licenses and permits | 1,469 | - | - | - |
| Fines and forfeitures | 40,784 | - | 52,267 | - |
| Intergovernmental | 1,052,075 | 2,092,443 | 4,299,251 | 1,144,240 |
| Special assessments | - | - | - | - |
| Investment income | 235,568 | - | 51,591 | - |
| Rental income | 56,382 | - | 8,789 | - |
| Contributions and donations | - | - | - | 10,211 |
| Other | 579,930 | 35,594 | 76,457 | 90,347 |
| Total revenues | <u>8,838,408</u> | <u>2,128,037</u> | <u>4,488,355</u> | <u>5,810,308</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| Legislative and executive | 2,580,758 | - | - | - |
| Judicial | 1,490,649 | - | - | - |
| Public safety | 3,133,386 | - | - | - |
| Public works | 175,329 | - | 4,184,162 | - |
| Health | 41,182 | - | - | - |
| Human services | 310,361 | 2,001,298 | - | 4,375,549 |
| Economic development and assistance | 157,045 | - | - | - |
| Transportation | - | - | - | - |
| Intergovernmental | 267,499 | - | - | - |
| Other | 958,217 | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | 1,284 |
| Interest and fiscal charges | - | - | - | 3 |
| Total expenditures | <u>9,114,426</u> | <u>2,001,298</u> | <u>4,184,162</u> | <u>4,376,836</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(276,018)</u> | <u>126,739</u> | <u>304,193</u> | <u>1,433,472</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 1,036,537 | - | - | - |
| Transfers (out) | (1,091,564) | - | - | - |
| Total other financing sources (uses) | <u>(55,027)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (331,045) | 126,739 | 304,193 | 1,433,472 |
| Fund balances at beginning of year | <u>7,815,189</u> | <u>491,072</u> | <u>4,496,528</u> | <u>4,777,697</u> |
| Fund balances at end of year | <u>\$ 7,484,144</u> | <u>\$ 617,811</u> | <u>\$ 4,800,721</u> | <u>\$ 6,211,169</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Senior Center | Other Governmental Funds | Total Governmental Funds |
|--------------------------|---|---|
| \$ - | \$ - | \$ 4,304,635 |
| 359,689 | 783,694 | 6,681,549 |
| - | 1,168,560 | 2,763,469 |
| - | 137,018 | 138,487 |
| - | 66,294 | 159,345 |
| 192,882 | 4,024,342 | 12,805,233 |
| - | 315,383 | 315,383 |
| - | 33,656 | 320,815 |
| 53,435 | - | 118,606 |
| 181,841 | 78,796 | 270,848 |
| 9,000 | 196,259 | 987,587 |
| <u>796,847</u> | <u>6,804,002</u> | <u>28,865,957</u> |
| - | 622,416 | 3,203,174 |
| - | 96,617 | 1,587,266 |
| - | 579,176 | 3,712,562 |
| - | 224,993 | 4,584,484 |
| - | 288,734 | 329,916 |
| 865,676 | 2,278,765 | 9,831,649 |
| - | 1,806,591 | 1,963,636 |
| - | 694,685 | 694,685 |
| - | - | 267,499 |
| - | 175,757 | 1,133,974 |
| - | 2,056,075 | 2,056,075 |
| - | 277,896 | 279,180 |
| - | 45,453 | 45,456 |
| <u>865,676</u> | <u>9,147,158</u> | <u>29,689,556</u> |
| <u>(68,829)</u> | <u>(2,343,156)</u> | <u>(823,599)</u> |
| - | 1,448,974 | 2,485,511 |
| - | (1,393,947) | (2,485,511) |
| - | 55,027 | - |
| <u>(68,829)</u> | <u>(2,288,129)</u> | <u>(823,599)</u> |
| 209,925 | 9,704,652 | 27,495,063 |
| <u>\$ 141,096</u> | <u>\$ 7,416,523</u> | <u>\$ 26,671,464</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, 2018

| | | |
|--|--------------------|---------------------------|
| Net change in fund balances - total governmental funds | \$ | (823,599) |
| <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 | \$ 1,016,647 | |
| Current year depreciation | <u>(2,249,888)</u> | |
| Total | | (1,233,241) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. | | |
| | | (98,212) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | 2,320 | |
| Sales taxes | (8,351) | |
| Special assessments | (5,526) | |
| Intergovernmental revenues | (571,602) | |
| Investment income | <u>6,124</u> | |
| Total | | (577,035) |
| 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. | | |
| | | 279,180 |
| In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. | | |
| | | 209 |
| 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. | | |
| | | (234,832) |
| Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| Pension | | 1,105,961 |
| OPEB | | 15,091 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities. | | |
| Pension | | (1,579,392) |
| OPEB | | <u>(377,060)</u> |
| Change in net position of governmental activities | \$ | <u>(3,522,930)</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, 2018

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Sales taxes | \$ 3,870,438 | \$ 4,317,217 | \$ 4,317,217 | \$ - |
| Property and other taxes. | 1,410,000 | 1,413,317 | 1,315,577 | (97,740) |
| Charges for services. | 941,045 | 1,103,933 | 1,036,899 | (67,034) |
| Licenses and permits | 1,350 | 1,475 | 1,469 | (6) |
| Fines and forfeitures | 60,000 | 61,000 | 41,924 | (19,076) |
| Intergovernmental. | 1,153,000 | 1,171,504 | 1,024,330 | (147,174) |
| Investment income. | 40,000 | 212,532 | 270,750 | 58,218 |
| Rental income | 30,000 | 56,382 | 56,382 | - |
| Other | 442,000 | 596,180 | 579,156 | (17,024) |
| Total revenues | <u>7,947,833</u> | <u>8,933,540</u> | <u>8,643,704</u> | <u>(289,836)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| Legislative and executive | 2,267,655 | 2,658,873 | 2,520,905 | 137,968 |
| Judicial | 1,163,794 | 1,365,994 | 1,329,769 | 36,225 |
| Public safety | 2,736,316 | 3,197,538 | 3,096,943 | 100,595 |
| Public works | 118,164 | 166,323 | 171,639 | (5,316) |
| Health | 43,382 | 50,400 | 39,897 | 10,503 |
| Human services | 309,665 | 359,758 | 302,506 | 57,252 |
| Economic development and assistance | 134,929 | 156,755 | 156,744 | 11 |
| Intergovernmental. | 232,931 | 270,610 | 267,499 | 3,111 |
| Other | 860,697 | 999,926 | 958,217 | 41,709 |
| Total expenditures | <u>7,867,533</u> | <u>9,226,177</u> | <u>8,844,119</u> | <u>382,058</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>80,300</u> | <u>(292,637)</u> | <u>(200,415)</u> | <u>92,222</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 1,000,000 | 1,073,837 | 1,073,837 | - |
| Transfers (out). | (1,151,513) | (1,151,513) | (1,128,877) | 22,636 |
| Total other financing sources (uses) | <u>(151,513)</u> | <u>(77,676)</u> | <u>(55,040)</u> | <u>22,636</u> |
| Net change in fund balance. | (71,213) | (370,313) | (255,455) | 114,858 |
| Fund balances at beginning of year (restated) | 6,156,594 | 6,156,594 | 6,156,594 | - |
| Prior year encumbrances appropriated. | 71,213 | 71,213 | 71,213 | - |
| Fund balance at end of year | <u>\$ 6,156,594</u> | <u>\$ 5,857,494</u> | <u>\$ 5,972,352</u> | <u>\$ 114,858</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 PUBLIC ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------|--------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ 2,510,825 | \$ 2,510,825 | \$ 2,108,024 | (402,801) |
| Other | 46,000 | 49,611 | 35,594 | (14,017) |
| Total revenues | 2,556,825 | 2,560,436 | 2,143,618 | (416,818) |
| Expenditures: | | | | |
| Current: | | | | |
| Human services | 2,556,825 | 2,556,825 | 2,004,901 | 551,924 |
| Total expenditures | 2,556,825 | 2,556,825 | 2,004,901 | 551,924 |
| Net change in fund balance. | - | 3,611 | 138,717 | 135,106 |
| Fund balance at beginning of year | 253,372 | 253,372 | 253,372 | - |
| Fund balance at end of year | \$ 253,372 | \$ 256,983 | \$ 392,089 | \$ 135,106 |

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, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Fines and forfeitures | \$ 43,000 | \$ 49,458 | \$ 49,458 | \$ - |
| Intergovernmental | 4,207,906 | 4,366,170 | 4,355,115 | (11,055) |
| Investment income. | 10,000 | 51,591 | 51,591 | - |
| Rental income | 8,789 | 8,789 | 8,789 | - |
| Other | 173,356 | 173,356 | 71,063 | (102,293) |
| Total revenues | <u>4,443,051</u> | <u>4,649,364</u> | <u>4,536,016</u> | <u>(113,348)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public works. | 4,521,860 | 6,946,188 | 6,278,324 | 667,864 |
| Total expenditures | <u>4,521,860</u> | <u>6,946,188</u> | <u>6,278,324</u> | <u>667,864</u> |
| Net change in fund balance. | (78,809) | (2,296,824) | (1,742,308) | 554,516 |
| Fund balance at beginning of year | 3,769,866 | 3,769,866 | 3,769,866 | - |
| Prior year encumbrances appropriated | 78,809 | 78,809 | 78,809 | - |
| Fund balance at end of year | <u>\$ 3,769,866</u> | <u>\$ 1,551,851</u> | <u>\$ 2,106,367</u> | <u>\$ 554,516</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, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property and other taxes | \$ 4,200,000 | 4,365,228 | \$ 4,365,228 | \$ - |
| Charges for services | 380,000 | 439,715 | 400,731 | (38,984) |
| Intergovernmental | 837,149 | 1,213,546 | 1,203,839 | (9,707) |
| Contributions and donations. | 15,000 | 15,000 | 10,211 | (4,789) |
| Other | 25,000 | 84,961 | 84,961 | - |
| Total revenues | <u>5,457,149</u> | <u>6,118,450</u> | <u>6,064,970</u> | <u>(53,480)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Human services | <u>5,243,016</u> | <u>5,307,180</u> | <u>4,127,793</u> | <u>1,179,387</u> |
| Total expenditures | <u>5,243,016</u> | <u>5,307,180</u> | <u>4,127,793</u> | <u>1,179,387</u> |
| Excess of revenues over expenditures. | <u>214,133</u> | <u>811,270</u> | <u>1,937,177</u> | <u>1,125,907</u> |
| Other financing sources: | | | | |
| Transfer in | <u>40,000</u> | <u>40,000</u> | <u>-</u> | <u>(40,000)</u> |
| Total other financing sources | <u>40,000</u> | <u>40,000</u> | <u>-</u> | <u>(40,000)</u> |
| Net change in fund balance. | 254,133 | 851,270 | 1,937,177 | 1,085,907 |
| Fund balance at beginning of year (restated) . . . | <u>4,346,459</u> | <u>4,346,459</u> | <u>4,346,459</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 4,600,592</u> | <u>\$ 5,197,729</u> | <u>\$ 6,283,636</u> | <u>\$ 1,085,907</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, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property and other taxes | \$ 362,968 | \$ 367,908 | \$ 367,908 | \$ - |
| Intergovernmental | 180,937 | 198,204 | 197,748 | (456) |
| Contributions and donations. | 156,400 | 181,841 | 181,841 | - |
| Rental income | 46,835 | 53,435 | 53,435 | - |
| Other | 9,000 | 9,000 | 9,000 | - |
| Total revenues | <u>756,140</u> | <u>810,388</u> | <u>809,932</u> | <u>(456)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Human services | 869,287 | 894,683 | 882,191 | 12,492 |
| Total expenditures | <u>869,287</u> | <u>894,683</u> | <u>882,191</u> | <u>12,492</u> |
| Net change in fund balance. | (113,147) | (84,295) | (72,259) | 12,036 |
| Fund balance at beginning of year (restated) . . . | 200,643 | 200,643 | 200,643 | - |
| Fund balance at end of year | <u>\$ 87,496</u> | <u>\$ 116,348</u> | <u>\$ 128,384</u> | <u>\$ 12,036</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2018

| | Business-type Activities - Enterprise Funds | | |
|--|--|-----------------------------------|-----------------------|
| | Sanitary Landfill | Other Enterprise Funds | Total |
| Assets: | | | |
| Current assets: | | | |
| Equity in pooled cash and cash equivalents | \$ 89,640 | \$ 250,797 | \$ 340,437 |
| Receivables (net of allowance for uncollectibles): | | | |
| Accounts | 3,945 | 6 | 3,951 |
| Accrued interest | 625 | - | 625 |
| Restricted assets: | | | |
| Equity in pooled cash and cash equivalents | 482,633 | - | 482,633 |
| Prepayments | 157 | - | 157 |
| Materials and supplies inventory | 53 | - | 53 |
| Total current assets | <u>577,053</u> | <u>250,803</u> | <u>827,856</u> |
| Noncurrent assets: | | | |
| Net pension asset | 1,040 | - | 1,040 |
| Capital assets: | | | |
| Land | 249,481 | - | 249,481 |
| Depreciable capital assets, net | 466,720 | - | 466,720 |
| Total capital assets, net | <u>716,201</u> | <u>-</u> | <u>716,201</u> |
| Total noncurrent assets | <u>717,241</u> | <u>-</u> | <u>717,241</u> |
| Total assets | <u>1,294,294</u> | <u>250,803</u> | <u>1,545,097</u> |
| Deferred outflows of resources: | | | |
| Pension | 51,392 | - | 51,392 |
| OPEB | 16,363 | - | 16,363 |
| Total deferred outflows of resources | <u>67,755</u> | <u>-</u> | <u>67,755</u> |
| Total assets and deferred outflows of resources. | <u>1,362,049</u> | <u>250,803</u> | <u>1,612,852</u> |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | 3,565 | - | 3,565 |
| Accrued wages and benefits payable | 3,436 | - | 3,436 |
| Compensated absences payable | 7,302 | - | 7,302 |
| Due to other governments | 4,937 | - | 4,937 |
| Pension obligation payable | 1,967 | - | 1,967 |
| Total current liabilities | <u>21,207</u> | <u>-</u> | <u>21,207</u> |
| Long-term liabilities: | | | |
| Compensated absences payable | 32,042 | - | 32,042 |
| Net pension liability | 177,869 | - | 177,869 |
| Net OPEB liability | 120,952 | - | 120,952 |
| Estimated accrued liability for landfill closure and post closure costs | 2,509,745 | - | 2,509,745 |
| Total long-term liabilities | <u>2,840,608</u> | <u>-</u> | <u>2,840,608</u> |
| Total liabilities. | <u>2,861,815</u> | <u>-</u> | <u>2,861,815</u> |
| Deferred inflows of resources: | | | |
| Pension | 42,302 | - | 42,302 |
| OPEB | 9,010 | - | 9,010 |
| Total deferred inflows of resources | <u>51,312</u> | <u>-</u> | <u>51,312</u> |
| Total liabilities and deferred inflows of resources. | <u>2,913,127</u> | <u>-</u> | <u>2,913,127</u> |
| Net position: | | | |
| Investment in capital assets | 716,201 | - | 716,201 |
| Unrestricted (deficit) | <u>(2,267,279)</u> | <u>250,803</u> | <u>(2,016,476)</u> |
| Total net position (deficit) | <u>\$ (1,551,078)</u> | <u>\$ 250,803</u> | <u>\$ (1,300,275)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Business-type Activities - Enterprise Funds</u> | | |
|--|--|-----------------------------------|-----------------------|
| | <u>Sanitary Landfill</u> | <u>Other Enterprise Funds</u> | <u>Total</u> |
| Operating revenues: | | | |
| Charges for services | \$ 303,897 | \$ 103,440 | \$ 407,337 |
| Total operating revenues. | <u>303,897</u> | <u>103,440</u> | <u>407,337</u> |
| Operating expenses: | | | |
| Personal services | 175,604 | 100 | 175,704 |
| Fringe benefits. | 33,581 | - | 33,581 |
| Contract services. | 153,624 | 74,184 | 227,808 |
| Materials and supplies. | 650 | 1,465 | 2,115 |
| Depreciation. | 46,173 | - | 46,173 |
| Landfill closure and post-closure costs . . . | 58,650 | - | 58,650 |
| Utilities | 8,326 | 33,463 | 41,789 |
| Other | - | 7,505 | 7,505 |
| Total operating expenses. | <u>476,608</u> | <u>116,717</u> | <u>593,325</u> |
| Operating loss | <u>(172,711)</u> | <u>(13,277)</u> | <u>(185,988)</u> |
| Nonoperating revenues: | | | |
| Interest income | 7,116 | - | 7,116 |
| Total nonoperating revenues | <u>7,116</u> | <u>-</u> | <u>7,116</u> |
| Change in net position | (165,595) | (13,277) | (178,872) |
| Net position (deficit) at beginning of year (restated). | <u>(1,385,483)</u> | <u>264,080</u> | <u>(1,121,403)</u> |
| Net position (deficit) at end of year | <u>\$ (1,551,078)</u> | <u>\$ 250,803</u> | <u>\$ (1,300,275)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

| | <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 | \$ 301,286 | \$ 105,307 | \$ 406,593 |
| Cash payments for personal services | (162,552) | (100) | (162,652) |
| Cash payments for contractual services | (152,726) | (74,184) | (226,910) |
| Cash payments for materials and supplies | (703) | (1,465) | (2,168) |
| Cash payments for utilities | (8,326) | (33,463) | (41,789) |
| Cash payments for other expenses | (101,510) | (7,505) | (109,015) |
| Net cash used in operating activities | <u>(124,531)</u> | <u>(11,410)</u> | <u>(135,941)</u> |
| Cash flows from investing activities: | | | |
| Interest received | 6,956 | - | 6,956 |
| Net cash provided by investing activities | <u>6,956</u> | <u>-</u> | <u>6,956</u> |
| Net decrease in cash and cash equivalents | (117,575) | (11,410) | (128,985) |
| Cash and cash equivalents at beginning of year | 689,848 | 262,207 | 952,055 |
| Cash and cash equivalents at end of year | <u>\$ 572,273</u> | <u>\$ 250,797</u> | <u>\$ 823,070</u> |
| Reconciliation of operating loss to net cash used in operating activities: | | | |
| Operating loss | \$ (172,711) | \$ (13,277) | \$ (185,988) |
| Adjustments: | | | |
| Depreciation | 46,173 | - | 46,173 |
| Changes in assets, liabilities and deferred inflows/outflows of resources | | | |
| (Increase) decrease in accounts receivable | (2,611) | 1,867 | (744) |
| (Increase) in materials and supplies inventory | (53) | - | (53) |
| Decrease in prepayments | 263 | - | 263 |
| (Increase) in net pension asset | (687) | - | (687) |
| Decrease in deferred outflows - pension | 39,627 | - | 39,627 |
| Increase in deferred outflows - OPEB | (14,921) | - | (14,921) |
| Increase in accounts payable | 255 | - | 255 |
| Increase in accrued wages and benefits | 916 | - | 916 |
| Increase in due to other governments | 393 | - | 393 |
| Increase in pension obligation payable | 165 | - | 165 |
| (Decrease) in landfill closure and postclosure care liability | (42,860) | - | (42,860) |
| Increase in compensated absences payable | 11,958 | - | 11,958 |
| (Decrease) in net pension liability | (58,305) | - | (58,305) |
| Increase in net OPEB liability | 19,138 | - | 19,138 |
| Increase in deferred inflows - pension | 39,719 | - | 39,719 |
| Increase in deferred inflows - OPEB | 9,010 | - | 9,010 |
| Net cash used in operating activities | <u>\$ (124,531)</u> | <u>\$ (11,410)</u> | <u>\$ (135,941)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2018**

| | <u>Agency</u> |
|--|----------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 4,971,016 |
| Cash in segregated accounts | 127,788 |
| Receivables: | |
| Property and other taxes | 36,389,227 |
| Due from other governments | 1,279,590 |
| Special assessments | <u>305,701</u> |
| Total assets | <u>\$ 43,073,322</u> |
| Liabilities: | |
| Due to other governments | \$ 41,836,543 |
| Deposits held and due to others | 671,291 |
| Undistributed assets | <u>565,488</u> |
| Total liabilities | <u>\$ 43,073,322</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

JOINTLY GOVERNED ORGANIZATIONS

Maumee Valley Planning Organization

The Maumee Valley Planning Organization (MVPO) is a jointly governed organization among Henry, Defiance, Fulton, Paulding, and Williams Counties. The MVPO is an organization established to improve the social and economic conditions of the region through development and conservation. The MVPO is governed by a fifteen member executive council composed of the three county commissioners, the mayor of the largest municipality, three mayors selected by the committee of mayors that represent the incorporated cities and villages, the township trustee association president, the regional planning commission chairman, and two members at large to represent business, industry, labor, agricultural, low income, minority groups, education, and consumer protection activities. The County provides resources to the executive council based on a membership fee and services provided to the County. The MVPO exercises total control over the operation of MVPO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the MVPO. In 2018, Henry County contributed \$278,834 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 2018, Henry County contributed \$870,732 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 2018, Henry County contributed \$727,527 for the ADAMHS operations. Information can be obtained from Marlene J. Goodwin, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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 control over the operation of Quadco including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for Quadco. In 2018, Henry County had no contributions 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 2018, Henry County contributed \$211,410 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 2018, Henry County contributed \$12,404 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, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and 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.

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.

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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.

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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.

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. For the County, see Notes 14 and 15 for deferred outflows of resources related the County's net pension liability and net OPEB liability, respectively.

Property taxes for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance year 2019 operations, 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, 2018, 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 Notes 14 and 15 for deferred inflows of resources related to the County's net pension liability and net OPEB liability, respectively. These deferred inflows of resources are 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

E. Budgetary Process

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

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the fall with respective officeholders and department heads.
2. Shortly after the beginning of the year, the Board of County Commissioners passes an appropriation resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.
3. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The revised budget figures reflected in the budgetary statements include the prior year appropriations carried over for liquidations against prior year encumbrances and any amendments to the original appropriation resolution.
5. The Board of County Commissioners appropriate at the fund, department and line item. For funds which are directly appropriated by the Board of County Commissioners, the transfer of appropriations at the fund, department and line item requires a resolution signed by at least two Commissioners.
6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2018.
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 Cash Equivalents

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 2018 amounted to \$235,568 which includes \$161,105 assigned from other County funds.

HENRY COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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 cost 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 acquisition values as of the date received. The County maintains a capitalization threshold of \$5,000. The County’s infrastructure consists of roads, bridges and culverts. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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 |

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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, 2018, 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, 2018 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, 2018, 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.

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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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, 2018.

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

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 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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 2018.

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 2018.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

S. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the County has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the County's postemployment benefit plan disclosures, as presented in Note 15 to the basic financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the County.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 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, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 75. Net position for governmental activities has also been restated in order to correctly report the outstanding balance of special assessment bonds. Net position at January 1, 2018 has been restated as follows:

| | Governmental Activities | Business-Type Activities | Sanitary Landfill |
|--|----------------------------|-----------------------------|----------------------|
| Net position as previously reported | \$ 59,397,074 | \$ (1,021,031) | \$ (1,285,111) |
| Deferred outflows - payments subsequent to measurement date | 98,707 | 1,442 | 1,442 |
| Net OPEB liability | (6,971,235) | (101,814) | (101,814) |
| Special assessment bonds | 7,852 | - | - |
| Restated net position at January 1, 2018 | \$ 52,532,398 | \$ (1,121,403) | \$ (1,385,483) |

Other than employer contributions subsequent to the measurement date, the County made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

B. Deficit Fund Balances

Fund balances at December 31, 2018 included the following individual fund deficits:

| | |
|-----------------------------------|----------------|
| <u>Nonmajor Governmental Fund</u> | <u>Deficit</u> |
| Capital courthouse improvement | \$ 155,528 |
| | |
| <u>Major Enterprise Fund</u> | |
| Sanitary landfill | 1,551,078 |

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

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, 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;

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 \$3,152 in undeposited cash on hand, of which \$752 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, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Cash in Segregated Accounts

At year end, the County had \$2,139,024 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 \$482,633 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, 2018, the carrying amount of all County deposits was \$30,665,824 and the bank balance of all County deposits was \$30,880,303. Of the bank balance, \$971,779 was covered by the FDIC and \$29,908,524 was covered by the Ohio Pooled Collateral System.

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. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. Although 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, 2018:

Cash and investments per note

| | |
|-----------------------------|----------------------|
| Carrying amount of deposits | \$ 30,665,824 |
| Cash on hand | <u>3,152</u> |
| Total | <u>\$ 30,668,976</u> |

Cash and investments per statement of net position

| | |
|--------------------------|----------------------|
| Governmental activities | \$ 24,747,102 |
| Business-type activities | 823,070 |
| Agency funds | <u>5,098,804</u> |
| Total | <u>\$ 30,668,976</u> |

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2018, consisted of the following, as reported on the fund financial statements:

| | |
|---|---------------------|
| <u>Transfers to general fund from:</u> | |
| Nonmajor governmental funds | \$ 1,036,537 |
| <u>Transfers to nonmajor governmental funds from:</u> | |
| General fund | 1,091,564 |
| Nonmajor governmental funds | <u>357,410</u> |
| Total | <u>\$ 2,485,511</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. Significant nonroutine transfers in 2018 include \$1,000,000 from the Country View Haven fund (a nonmajor governmental fund) to the general fund. The Country View Haven facility closed in 2017 and the County is in the process of liquidating the 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, 2018, as reported on the fund financial statements:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|-----------------------------------|-----------------------|------------------|
| General | Nonmajor governmental | \$ 15,761 |
| General | Senior center | 926 |
| Motor vehicle and gas tax | Nonmajor governmental | 5,744 |
| Motor vehicle and gas tax | General | 3,583 |
| Motor vehicle and gas tax | Public assistance | 63 |
| Nonmajor governmental | Nonmajor governmental | 6,500 |
| Nonmajor governmental | General | <u>612</u> |
| Total due to/due from other funds | | <u>\$ 33,189</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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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. 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. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 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, 2018 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 2018 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, 2018 was \$14.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

| | |
|-------------------------------|-----------------------|
| <u>Real property</u> | |
| Residential/agricultural | \$ 641,346,630 |
| Commercial/industrial/mineral | 75,229,610 |
| Public utility | <u>95,665,100</u> |
| Total assessed value | <u>\$ 812,241,340</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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Proceeds of the tax are credited to the general fund. A receivable is recognized at year end for amounts that will be received from sales which occurred during 2018 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 2018 amounted to \$4,304,635 as reported on the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2018, 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 (See Note 5.B.). 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 | \$ 1,050,756 |
| Property and other taxes | 8,082,674 |
| Accounts | 77,967 |
| Due from other governments | 4,834,169 |
| Special assessments | 316,303 |
| Accrued interest | 37,903 |
| Loans | 1,258,417 |
| Business-type activities: | |
| Accounts | 3,951 |
| Accrued interest | 625 |

Receivables have been disaggregated on the face of the financial statements. The only receivables not expected to be collected within the subsequent year are special assessments and loans. Special assessments are collected over the term of the assessment and the loans receivable are collected over the term of the loan.

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. The loans are reported in the nonmajor governmental funds as “loans receivable”. A summary of the County’s loan activity for 2018 is as follows:

| | <u>Balance</u> <u>12/31/17</u> | <u>Issued</u> | <u>Payments/ Reductions</u> | <u>Balance</u> <u>12/31/18</u> |
|---------------------------|-----------------------------------|-------------------|---------------------------------|-----------------------------------|
| CDBG Economic Development | \$ 1,119,601 | \$ 215,000 | \$ (392,984) | \$ 941,617 |
| CDBG Housing | 335,305 | 26,260 | (44,765) | 316,800 |
| Total revolving loans | <u>\$ 1,454,906</u> | <u>\$ 241,260</u> | <u>\$ (437,749)</u> | <u>\$ 1,258,417</u> |

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

| | Balance 12/31/17 | Additions | Disposals | Balance 12/31/18 |
|---|----------------------|-----------------------|--------------------|----------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 2,298,818 | \$ - | \$ (65,000) | \$ 2,233,818 |
| Total capital assets, not being depreciated | <u>2,298,818</u> | <u>-</u> | <u>(65,000)</u> | <u>2,233,818</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Building and improvements | 25,623,080 | 55,354 | (148,649) | 25,529,785 |
| Equipment | 1,978,606 | 72,870 | (53,820) | 1,997,656 |
| Vehicles | 5,407,736 | 273,289 | (13,900) | 5,667,125 |
| Infrastructure | 49,192,671 | 615,134 | - | 49,807,805 |
| Total capital assets, being depreciated | <u>82,202,093</u> | <u>1,016,647</u> | <u>(216,369)</u> | <u>83,002,371</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Building and improvements | (14,963,204) | (524,656) | 121,892 | (15,365,968) |
| Equipment | (1,116,905) | (122,479) | 49,450 | (1,189,934) |
| Vehicles | (3,118,621) | (279,841) | 11,815 | (3,386,647) |
| Infrastructure | (25,110,029) | (1,322,912) | - | (26,432,941) |
| Total accumulated depreciation | <u>(44,308,759)</u> | <u>(2,249,888)</u> | <u>183,157</u> | <u>(46,375,490)</u> |
| Total capital assets being depreciated, net | <u>37,893,334</u> | <u>(1,233,241)</u> | <u>(33,212)</u> | <u>36,626,881</u> |
| Governmental activities capital assets, net | <u>\$ 40,192,152</u> | <u>\$ (1,233,241)</u> | <u>\$ (98,212)</u> | <u>\$ 38,860,699</u> |

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

| | |
|--|---------------------|
| Governmental activities: | |
| General government: | |
| Legislative and executive | \$ 384,130 |
| Judicial | 18,677 |
| Public safety | 116,910 |
| Public works | 1,536,072 |
| Health | 2,497 |
| Human services | 179,840 |
| Other | <u>11,762</u> |
| Total depreciation expense - governmental activities | <u>\$ 2,249,888</u> |

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - CAPITAL ASSETS (Continued)

| | Balance 12/31/17 | Additions | Deductions | Balance 12/31/18 |
|---|---------------------|-------------|------------|---------------------|
| Business-type activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 249,481 | \$ - | \$ - | \$ 249,481 |
| Total capital assets, not being depreciated | 249,481 | - | - | 249,481 |
| <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 | 466,421 | - | - | 466,421 |
| Total capital assets, being depreciated | 1,257,257 | - | - | 1,257,257 |
| <i>Less: accumulated depreciation:</i> | | | | |
| Buildings and improvements | (93,127) | (2,828) | - | (95,955) |
| Machinery and equipment | (113,234) | (9,643) | - | (122,877) |
| Vehicles | (386,416) | (10,381) | - | (396,797) |
| Infrastructure | (151,587) | (23,321) | - | (174,908) |
| Total accumulated depreciation | (744,364) | (46,173) | - | (790,537) |
| Total capital assets, being depreciated net | 512,893 | (46,173) | - | 466,720 |
| Business-type activities capital assets, net | \$ 762,374 | \$ (46,173) | \$ - | \$ 716,201 |

NOTE 11 - 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.

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 - COMPENSATED ABSENCES - (Continued)

At December 31, 2018, vested benefits for vacation leave for governmental activities employees totaled \$633,774 and vested benefits for sick leave totaled \$1,008,627. In addition, the County has recorded a liability in the governmental funds in the amount of \$38,631 for employees who have notified the County by December 31, 2018 of their intent to retire. These amounts represent the total vested benefits and are reported in the government-wide financial statements. For business-type activities, vested benefits for vacation leave totaled \$7,302 and vested benefits for sick leave totaled \$32,042. 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 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2018, the following changes occurred in the County's governmental long-term obligations. The long-term obligations at December 31, 2017 have been restated as described in Note 3.

| | Restated Balance | | | Balance | Amount Due in |
|--------------------------------------|----------------------|---------------------|-----------------------|----------------------|---------------------|
| | <u>12/31/17</u> | <u>Additions</u> | <u>Reductions</u> | <u>12/31/18</u> | <u>One Year</u> |
| Governmental activities: | | | | | |
| <u>General obligation bonds:</u> | | | | | |
| 2003 - 5% Grelton | | | | | |
| waterline bond | \$ 8,000 | \$ - | \$ (6,000) | \$ 2,000 | \$ 2,000 |
| Total general obligation bonds | <u>8,000</u> | <u>-</u> | <u>(6,000)</u> | <u>2,000</u> | <u>2,000</u> |
| Special assessment bonds | | | | | |
| <u>with governmental commitment:</u> | | | | | |
| 1998 - 4.75% | | | | | |
| | 15,884 | - | (15,884) | - | - |
| Total special assessment bonds | <u>15,884</u> | <u>-</u> | <u>(15,884)</u> | <u>-</u> | <u>-</u> |
| <u>Other obligations:</u> | | | | | |
| Compensated absences | 1,442,554 | 1,035,268 | (796,790) | 1,681,032 | 672,405 |
| Net Pension Liability | 16,202,048 | - | (6,185,623) | 10,016,425 | - |
| Net OPEB Liability | 6,971,235 | - | (160,034) | 6,811,201 | - |
| Henry County Senior Center Loan | 1,595,890 | - | (256,012) | 1,339,878 | 524,033 |
| Mortgage loan - 2% | 1,284 | - | (1,284) | - | - |
| Total other obligations | <u>26,213,011</u> | <u>1,035,268</u> | <u>(7,399,743)</u> | <u>19,848,536</u> | <u>1,196,438</u> |
| Total governmental activities | | | | | |
| long-term obligations | <u>\$ 26,236,895</u> | <u>\$ 1,035,268</u> | <u>\$ (7,421,627)</u> | <u>\$ 19,850,536</u> | <u>\$ 1,198,438</u> |

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, 2018

NOTE 12 - 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. These bonds were paid in full during 2018.

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. This loan was paid in full during 2018.

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 \$1,595,890 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.

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 and Net OPEB Liability

See Notes 14 and 15 for more details on the net pension liability and net OPEB liability, respectively.

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 | | | Henry County Senior Center Loan | | |
|---------------|--------------------------|---------------|-----------------|---------------------------------|------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2019 | \$ 2,000 | \$ 100 | \$ 2,100 | \$ 524,033 | \$ 36,261 | \$ 560,294 |
| 2020 | - | - | - | 539,804 | 20,490 | 560,294 |
| 2021 | - | - | - | 276,041 | 4,107 | 280,148 |
| Total | <u>\$ 2,000</u> | <u>\$ 100</u> | <u>\$ 2,100</u> | <u>\$ 1,339,878</u> | <u>\$ 60,858</u> | <u>\$ 1,400,736</u> |

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-Type Long-Term Obligations

During 2018, the following changes occurred in the County's business-type long-term obligations. The long-term obligations at December 31, 2017 have been restated as described in Note 3.

| | Restated Balance <u>12/31/17</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>12/31/18</u> | Due in <u>One Year</u> |
|--|--|-------------------|--------------------|----------------------------|---------------------------|
| Business-type activities: | | | | | |
| Net pension liability | \$ 236,174 | \$ - | \$ (58,305) | \$ 177,869 | \$ - |
| Net OPEB liability | 101,814 | 19,138 | - | 120,952 | - |
| Landfill closure and postclosure care liability | 2,552,605 | 58,650 | (101,510) | 2,509,745 | - |
| Compensated absences | <u>27,386</u> | <u>22,623</u> | <u>(10,665)</u> | <u>39,344</u> | <u>7,302</u> |
| Total | <u>\$ 2,917,979</u> | <u>\$ 100,411</u> | <u>\$(170,480)</u> | <u>\$ 2,847,910</u> | <u>\$ 7,302</u> |

Landfill closure and postclosure care liability
See Note 21 for information on this liability.

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

Net Pension Liability and Net OPEB Liability
See Notes 14 and 15 for more details on the net pension liability and net OPEB liability, respectively.

- 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 \$18,893,703 at December 31, 2018 and the unvoted legal debt margin was \$8,210,082 at December 31, 2018.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - 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 2018, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for liability, property, automotive, and crime insurance. The CORSA program has a \$2,500 deductible. Coverage provided by CORSA is as follows:

| | Amount |
|--|------------------|
| General Liability (per occurrence) | \$ 1,000,000 |
| Law Enforcement Liability (per occurrence) | 1,000,000 |
| Automobile Liability and Physical Damage Liability (per occurrence) | 1,000,000 |
| Medical Payments | |
| Per Person | 5,000 |
| Per Occurrence | 50,000 |
| Uninsured Motorist (per person) | 250,000 |
| Physical Damage | Actual Cost |
| Flood and Earthquake (pool limit) | 100,000,000 |
| Other Property Insurance: | |
| Extra Expense | \$ 1,000,000 |
| EDP Media | Replacement Cost |
| Contractors' Equipment | Replacement Cost |
| 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - 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 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/asset 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.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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):

| 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% | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% |
| 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 |
| 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 3.00% 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 3.0%.

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 1.00% 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 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 2.25% 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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> |
|--|----------------------------|--------------------------|----------------------------|
| 2018 Statutory Maximum Contribution Rates | | | |
| Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee | 10.0 % | * | ** |
| 2018 Actual Contribution Rates | | | |
| Employer: | | | |
| Pension | 14.0 % | 18.1 % | 18.1 % |
| Post-employment Health Care Benefits | 0.0 % | 0.0 % | 0.0 % |
| 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> |

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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 \$1,125,600 for 2018. Of this amount, \$156,685 is reported as payable.

Net 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, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2017, 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share and pension expense:

| | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | Total |
|--|------------------------|---------------------|--------------------------------|---------------|
| Proportion of the net pension liability/asset prior measurement date * | 0.08756100% | 0.05308600% | 0.04766700% | |
| Proportion of the net pension liability/asset current measurement date * | <u>0.08065100%</u> | <u>0.05264200%</u> | <u>0.06619700%</u> | |
| Change in proportionate share | <u>-0.00691000%</u> | <u>-0.00044400%</u> | <u>0.01853000%</u> | |
| Proportionate share of the net pension liability | \$ 10,194,294 | \$ - | \$ - | \$ 10,194,294 |
| Proportionate share of the net pension asset | - | (57,740) | (1,861) | (59,601) |
| Pension expense | 1,610,669 | 9,321 | (605) | 1,619,385 |

* These are the proportionate share percentages for the County as a whole, including a minor portion for certain entities that are not included in the County's reporting entity.

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | Total |
|---|------------------------|---------------------|--------------------------------|---------------------|
| Deferred outflows of resources | | | | |
| Differences between expected and actual experience | \$ 10,412 | \$ - | \$ 3,619 | \$ 14,031 |
| Changes of assumptions | 1,218,288 | 5,046 | 221 | 1,223,555 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 10,159 | - | - | 10,159 |
| County contributions subsequent to the measurement date | 1,059,797 | 27,404 | 38,399 | 1,125,600 |
| Total deferred outflows of resources | <u>\$ 2,298,656</u> | <u>\$ 32,450</u> | <u>\$ 42,239</u> | <u>\$ 2,373,345</u> |

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

| | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | Total |
|--|------------------------|---------------------|--------------------------------|---------------------|
| Deferred inflows of resources | | | | |
| Differences between expected and actual experience | \$ 200,896 | \$ 17,199 | \$ - | \$ 218,095 |
| Net difference between projected and actual earnings on pension plan investments | 2,188,581 | 9,109 | 524 | 2,198,214 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 988,770 | - | - | 988,770 |
| Total deferred inflows of resources | <u>\$ 3,378,247</u> | <u>\$ 26,308</u> | <u>\$ 524</u> | <u>\$ 3,405,079</u> |

\$1,125,600 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, 2019.

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

| | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | Total |
|--------------------------|------------------------|---------------------|--------------------------------|-----------------------|
| Year Ending December 31: | | | | |
| 2019 | \$ 327,880 | \$ (2,897) | \$ 413 | \$ 325,396 |
| 2020 | (604,214) | (3,145) | 401 | (606,958) |
| 2021 | (963,735) | (5,186) | 332 | (968,589) |
| 2022 | (899,319) | (4,973) | 344 | (903,948) |
| 2023 | - | (1,773) | 504 | (1,269) |
| Thereafter | - | (3,288) | 1,322 | (1,966) |
| Total | <u>\$ (2,139,388)</u> | <u>\$ (21,262)</u> | <u>\$ 3,316</u> | <u>\$ (2,157,334)</u> |

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

| | |
|--|--|
| Wage inflation | 3.25% |
| Future salary increases, including inflation | 3.25% to 10.75% including wage inflation |
| COLA or ad hoc COLA | Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple |
| Investment rate of return | 7.50% |
| Actuarial cost method | Individual entry age |

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 2017 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 % | 2.20 % |
| Domestic equities | 19.00 | 6.37 |
| Real estate | 10.00 | 5.26 |
| Private equity | 10.00 | 8.97 |
| International equities | 20.00 | 7.88 |
| Other investments | 18.00 | 5.26 |
| Total | 100.00 % | 5.66 % |

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for 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 7.50%, 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 (6.50%) or one-percentage-point higher (8.50%) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|------------------------|-------------------------------------|------------------------|
| County's proportionate share of the net pension liability (asset): | | | |
| Traditional Pension Plan | \$ 18,102,469 | \$ 10,194,294 | \$ 3,601,259 |
| Combined Plan | (31,386) | (57,740) | (75,921) |
| Member-Directed Plan | (1,067) | (1,861) | (2,667) |

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the County's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability 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 these estimates annually.

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 OPEB are financed; however, the County does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

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

The County's contractually required contribution was \$15,359 for 2018. Of this amount, \$2,138 is reported as payable.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The County's proportion of the net OPEB liability was based on the County's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | OPERS |
|---|---------------------|
| Proportion of the net OPEB liability prior measurement date * | 0.08470800% |
| Proportion of the net OPEB liability current measurement date * | <u>0.07923000%</u> |
| Change in proportionate share | <u>-0.00547800%</u> |
| | |
| Proportionate share of the net OPEB liability | \$ 6,932,153 |
| OPEB expense | \$ 390,555 |

* These are the proportionate share percentages for the County as a whole, including a minor portion for certain entities that are not included in the County's reporting entity.

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | OPERS |
|---|-------------------|
| Deferred outflows of resources | |
| Differences between expected and actual experience | \$ 5,400 |
| Changes of assumptions | 504,735 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 7,194 |
| County contributions subsequent to the measurement date | 15,359 |
| Total deferred outflows of resources | <u>\$ 532,688</u> |

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

| | OPERS |
|--|------------|
| Deferred inflows of resources | |
| Net difference between projected and actual earnings on OPEB plan investments | \$ 516,400 |
| Changes in employer's proportionate percentage/difference between employer contributions | 432,231 |
| Total deferred inflows of resources | \$ 948,631 |

\$15,359 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending December 31, 2019.

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

| | OPERS |
|--------------------------|--------------|
| Year Ending December 31: | |
| 2019 | \$ (88,414) |
| 2020 | (88,414) |
| 2021 | (125,372) |
| 2022 | (129,100) |
| 2023 | (2) |
| Total | \$ (431,302) |

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Projected Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| Single Discount Rate: | |
| Current measurement date | 3.85 percent |
| Prior Measurement date | 4.23 percent |
| Investment Rate of Return | 6.50 percent |
| Municipal Bond Rate | 3.31 percent |
| Health Care Cost Trend Rate | 7.5 percent, initial 3.25 percent, ultimate in 2028 |
| Actuarial Cost Method | Individual Entry Age |

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|------------------------------|------------------------------|---|
| Fixed Income | 34.00 % | 1.88 % |
| Domestic Equities | 21.00 | 6.37 |
| Real Estate Investment Trust | 6.00 | 5.91 |
| International Equities | 22.00 | 7.88 |
| Other investments | 17.00 | 5.39 |
| Total | 100.00 % | 4.98 % |

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

| | <u>1% Decrease (2.85%)</u> | <u>Current Discount Rate (3.85%)</u> | <u>1% Increase (4.85%)</u> |
|---|--------------------------------|--|--------------------------------|
| County's proportionate share of the net OPEB liability | \$ 9,209,665 | \$ 6,932,153 | \$ 5,089,669 |

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

| | 1% Decrease | Current Health Care Trend Rate Assumption | 1% Increase |
|---|--------------|---|--------------|
| County's proportionate share of the net OPEB liability | \$ 6,632,593 | \$ 6,932,153 | \$ 7,241,591 |

NOTE 16 - 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, motor vehicle and gas tax fund, public assistance fund and senior center 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) Funds held by an escrow agent on behalf of the County are recorded as expenditures (budget basis) as opposed to cash in segregated accounts (GAAP basis);
- (d) 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
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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> | <u>Public Assistance</u> | <u>Motor Vehicle and Gas Tax</u> | <u>County Board of DD</u> | <u>Senior Center</u> |
|--|---------------------|--------------------------|----------------------------------|---------------------------|----------------------|
| Budget basis | \$ (255,455) | \$ 138,717 | \$ (1,742,308) | \$ 1,937,177 | \$ (72,259) |
| Net adjustment for revenue accruals | (35,494) | (15,581) | (47,661) | (254,662) | (13,085) |
| Net adjustment for expenditure accruals | (136,608) | 3,603 | (80,878) | (273,943) | 16,515 |
| Net adjustment for other financing uses | 13 | - | - | - | - |
| Net adjustment for cash in segregated accounts | - | - | 2,000,000 | - | - |
| Adjustment for encumbrances | 18,330 | - | 175,040 | 24,900 | - |
| Funds budgeted elsewhere | <u>78,169</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| GAAP basis | <u>\$ (331,045)</u> | <u>\$ 126,739</u> | <u>\$ 304,193</u> | <u>\$ 1,433,472</u> | <u>\$ (68,829)</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 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 18 - 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 | Public Assistance | Motor Vehicle and Gas Tax | County Board of DD | Senior Center | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|---------------------|-------------------|---------------------------|---------------------|-------------------|-----------------------------|--------------------------|
| Nonspendable: | | | | | | | |
| Prepays | \$ 30,366 | \$ 4,955 | \$ - | \$ 12,658 | \$ - | \$ 27,576 | \$ 75,555 |
| Materials and supplies inventory | <u>14,768</u> | <u>4,404</u> | <u>100,069</u> | <u>4,022</u> | <u>-</u> | <u>4,539</u> | <u>127,802</u> |
| Total nonspendable | <u>45,134</u> | <u>9,359</u> | <u>100,069</u> | <u>16,680</u> | <u>-</u> | <u>32,115</u> | <u>203,357</u> |
| Restricted: | | | | | | | |
| Debt service | - | - | - | - | - | 89,669 | 89,669 |
| Capital improvements | - | - | - | - | - | 796,270 | 796,270 |
| Public safety | - | - | - | - | - | 537,651 | 537,651 |
| Public works | - | - | 4,700,652 | - | - | 2,373 | 4,703,025 |
| Human services | - | 608,452 | - | 6,194,489 | 141,096 | 568,108 | 7,512,145 |
| Health programs | - | - | - | - | - | 481,145 | 481,145 |
| Economic development programs | - | - | - | - | - | 1,654,696 | 1,654,696 |
| Other purposes | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,209,738</u> | <u>3,209,738</u> |
| Total restricted | <u>-</u> | <u>608,452</u> | <u>4,700,652</u> | <u>6,194,489</u> | <u>141,096</u> | <u>7,339,650</u> | <u>18,984,339</u> |
| Committed: | | | | | | | |
| Public safety | - | - | - | - | - | 35,690 | 35,690 |
| Public works | - | - | - | - | - | 127,230 | 127,230 |
| Other purposes | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>37,366</u> | <u>37,366</u> |
| Total committed | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>200,286</u> | <u>200,286</u> |
| Assigned: | | | | | | | |
| Legislative and executive | 5,288 | - | - | - | - | - | 5,288 |
| Judicial | 659 | - | - | - | - | - | 659 |
| Public safety | 11,338 | - | - | - | - | - | 11,338 |
| Public works | 45 | - | - | - | - | - | 45 |
| Other purposes | <u>18,330</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,330</u> |
| Total assigned | <u>35,660</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>35,660</u> |
| Unassigned (deficit) | <u>7,403,350</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(155,528)</u> | <u>7,247,822</u> |
| Total fund balances | <u>\$ 7,484,144</u> | <u>\$ 617,811</u> | <u>\$ 4,800,721</u> | <u>\$ 6,211,169</u> | <u>\$ 141,096</u> | <u>\$ 7,416,523</u> | <u>\$ 26,671,464</u> |

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 19 - PUBLIC ENTITY RISK POOL

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

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

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 2018 was \$119,365.

NOTE 20 - CONDUIT DEBT OBLIGATIONS

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

At December 31, 2018, health care facility revenue bonds outstanding aggregated \$2,810,000.

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 21 - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,509,745 as of December 31, 2018, 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, 2018. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The County is required by State and federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 2018, cash and cash equivalents of \$482,633 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 22 - 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 | \$ 18,330 |
| Motor vehicle & gas tax | 175,040 |
| County Board of DD | 24,900 |
| Nonmajor governmental | <u>30,104</u> |
| Total | <u>\$ 248,374</u> |

NOTE 23 - 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.

HENRY COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 23 - TAX ABATEMENTS (Continued)

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 2018 was \$177,915.

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REQUIRED SUPPLEMENTARY INFORMATION

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HENRY COUNTY, OHIO

SCHEDULES OF THE 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 FIVE YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|---------------|---------------|--------------|---------------|
| <i>Traditional Plan:</i> | | | | | |
| County's proportion of the net pension liability * | 0.080651% | 0.087561% | 0.093118% | 0.094444% | 0.094444% |
| County's proportionate share of the net pension liability | \$ 10,194,294 | \$ 16,438,222 | \$ 13,347,030 | \$ 9,276,889 | \$ 9,067,355 |
| County's covered payroll | \$ 8,864,162 | \$ 9,646,683 | \$ 9,042,375 | \$ 9,564,533 | \$ 11,231,962 |
| County's proportionate share of the net pension liability as a percentage of its covered payroll | 115.01% | 170.40% | 147.61% | 96.99% | 80.73% |
| Plan fiduciary net position as a percentage of the total pension liability | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |
| <i>Combined Plan:</i> | | | | | |
| County's proportion of the net pension asset * | 0.052642% | 0.053086% | 0.053680% | 0.044935% | 0.044935% |
| County's proportionate share of the net pension asset | \$ 57,740 | \$ 24,426 | \$ 21,590 | \$ 14,090 | \$ 3,840 |
| County's covered payroll | \$ 178,238 | \$ 206,642 | \$ 158,975 | \$ 164,258 | \$ 167,600 |
| County's proportionate share of the net pension asset as a percentage of its covered payroll | 32.39% | 11.82% | 13.58% | 8.58% | 2.29% |
| Plan fiduciary net position as a percentage of the total pension asset | 137.28% | 116.55% | 116.90% | 114.83% | 104.56% |
| <i>Member Directed Plan:</i> | | | | | |
| County's proportion of the net pension asset * | 0.066197% | 0.047667% | 0.039040% | n/a | n/a |
| County's proportionate share of the net pension asset | \$ 1,861 | \$ 165 | \$ 149 | n/a | n/a |
| County's covered payroll | \$ 299,940 | \$ 247,453 | \$ 214,425 | n/a | n/a |
| County's proportionate share of the net pension asset as a percentage of its covered payroll | 0.62% | 0.07% | 0.07% | n/a | n/a |
| Plan fiduciary net position as a percentage of the total pension asset | 124.46% | 103.40% | 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 fiscal year were determined as of the County's measurement date which is the prior year-end.

* These are the proportionate share percentages for the County as a whole, including a minor portion for certain entities that are not included in the County's reporting entity.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

HENRY COUNTY, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| <i>Traditional Plan:</i> | | | | |
| Contractually required contribution | \$ 1,059,797 | \$ 1,152,341 | \$ 1,157,602 | \$ 1,085,085 |
| Contributions in relation to the contractually required contribution | <u>(1,059,797)</u> | <u>(1,152,341)</u> | <u>(1,157,602)</u> | <u>(1,085,085)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| County's covered payroll | \$ 7,569,979 | \$ 8,864,162 | \$ 9,646,683 | \$ 9,042,375 |
| Contributions as a percentage of covered payroll | 14.00% | 13.00% | 12.00% | 12.00% |
| <i>Combined Plan:</i> | | | | |
| Contractually required contribution | \$ 27,404 | \$ 23,171 | \$ 24,797 | \$ 19,077 |
| Contributions in relation to the contractually required contribution | <u>(27,404)</u> | <u>(23,171)</u> | <u>(24,797)</u> | <u>(19,077)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| County's covered payroll | \$ 195,743 | \$ 178,238 | \$ 206,642 | \$ 158,975 |
| Contributions as a percentage of covered payroll | 14.00% | 13.00% | 12.00% | 12.00% |
| <i>Member Directed Plan:</i> | | | | |
| Contractually required contribution | \$ 38,399 | \$ 29,994 | \$ 23,508 | \$ 26,091 |
| Contributions in relation to the contractually required contribution | <u>(38,399)</u> | <u>(29,994)</u> | <u>(23,508)</u> | <u>(26,091)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| County's covered payroll | \$ 383,990 | \$ 299,940 | \$ 195,900 | \$ 217,425 |
| Contributions as a percentage of covered payroll | 10.00% | 10.00% | 12.00% | 12.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 1,147,744 | \$ 1,460,155 | \$ 1,135,250 | \$ 1,204,980 | \$ 1,043,150 | \$ 1,002,088 |
| <u>(1,147,744)</u> | <u>(1,460,155)</u> | <u>(1,135,250)</u> | <u>(1,204,980)</u> | <u>(1,043,150)</u> | <u>(1,002,088)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 9,564,533 | \$ 11,231,962 | \$ 11,352,500 | \$ 12,049,800 | \$ 11,694,507 | \$ 12,325,806 |
| 12.00% | 13.00% | 10.00% | 10.00% | 8.92% | 8.13% |
| \$ 19,711 | \$ 21,788 | \$ 19,195 | \$ 16,358 | \$ 18,743 | |
| <u>(19,711)</u> | <u>(21,788)</u> | <u>(19,195)</u> | <u>(16,358)</u> | <u>(18,743)</u> | |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | |
| \$ 164,258 | \$ 167,600 | \$ 241,447 | \$ 205,761 | \$ 193,426 | |
| 12.00% | 13.00% | 7.95% | 7.95% | 9.69% | |

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HENRY COUNTY, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

| | <u>2018</u> | <u>2017</u> |
|---|--------------|---------------|
| County's proportion of the net OPEB liability * | 0.079230% | 0.084708% |
| County's proportionate share of the net OPEB liability | \$ 6,932,153 | \$ 7,073,049 |
| County's covered payroll | \$ 9,342,340 | \$ 10,049,225 |
| County's proportionate share of the net OPEB liability as a percentage of its covered payroll | 74.20% | 70.38% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 54.14% | 54.05% |

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

* These are the proportionate share percentages for the County as a whole, including a minor portion for certain entities that are not included in the County's reporting entity.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

HENRY COUNTY, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-----------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 15,359 | \$ 121,143 | \$ 250,097 | \$ 178,597 |
| Contributions in relation to the contractually required contribution | <u>(15,359)</u> | <u>(121,143)</u> | <u>(250,097)</u> | <u>(178,597)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| County's covered payroll | \$ 8,149,712 | \$ 9,342,340 | \$ 10,049,225 | \$ 9,418,775 |
| Contributions as a percentage of covered payroll | 0.19% | 1.30% | 2.49% | 1.90% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 230,173 | \$ 111,692 | \$ 455,831 | \$ 481,137 | \$ 595,857 | \$ 708,896 |
| <u>(230,173)</u> | <u>(111,692)</u> | <u>(455,831)</u> | <u>(481,137)</u> | <u>(595,857)</u> | <u>(708,896)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 9,728,791 | \$ 11,399,562 | \$ 11,593,947 | \$ 12,255,561 | \$ 11,887,933 | \$ 12,325,806 |
| 2.37% | 0.98% | 3.93% | 3.93% | 5.01% | 5.75% |

HENRY COUNTY, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.

**HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | CFDA NUMBER | PASS-THROUGH GRANT NUMBER | CASH FEDERAL DISBURSEMENTS |
|---|----------------|---------------------------------|----------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES | | | |
| <i>SNAP Cluster:</i> | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | G-1819-11-5752 | \$ 138,039 |
| Total U.S. Department of Agriculture | | | 138,039 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEVELOPMENT SERVICES AGENCY OFFICE OF COMMUNITY DEVELOPMENT | | | |
| Community Development Block Grants/State's Program: | | | |
| FY 16 Formula Grant | 14.228 | B-F-16-1BF-1 | 282,891 |
| FY 16 CHIP CDBG Grant | 14.228 | B-C-16-1BF-1 | 656,965 |
| Community Development Block Grant Revolving Loan | 14.228 | N/A | 354,049 |
| Total Community Development Block Grants/State's Program | | | 1,293,905 |
| HOME Investment Partnership Program: FY16 CHIP HOME Grant | 14.239 | B-C-16-1BF-2 | 388,790 |
| Total U.S. Department of Housing and Urban Development | | | 1,682,695 |
| U.S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES VIA AREA 7 WORKFORCE INVESTMENT BOARD | | | |
| <i>Employment Service Cluster:</i> | | | |
| American Job Branding | 17.207 | 2016-35-1/2018-35-1 | 8,473 |
| Trade Adjustment Assistance | 17.245 | 2016-35-1/2018-35-2 | 1,574 |
| <i>WIA Cluster:</i> | | | |
| WIA - Adult Program | 17.258 | 2016-35-1/2018-35-3 | 59,839 |
| CCEMP WIA Youth Program | 17.259 | 2016-35-1/2018-35-4 | 22,943 |
| WIA Dislocated Worker Program | 17.278 | 2016-35-1/2018-35-5 | 6,379 |
| Total WIA Cluster | | | 89,161 |
| Total U.S. Department of Labor | | | 99,208 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF JOB AND FAMILY SERVICES | | | |
| Promoting Safe and Stable Families: | | | |
| Caseworker Visits | 93.556 | G-1819-11-5752 | 931 |
| Caseworker Visits Administration | 93.556 | G-1819-11-5752 | 93 |
| ESSA Preservation | 93.556 | G-1819-11-5752 | 12,510 |
| ESSA Preservation Operating | 93.556 | G-1819-11-5752 | 2,631 |
| ESSA Reunification | 93.556 | G-1819-11-5752 | 1,994 |
| ESSA Reunification Operating | 93.556 | G-1819-11-5752 | 2,950 |
| Total Promoting Safe and Stable Families | | | 21,109 |
| <i>TANF Cluster:</i> | | | |
| Temporary Assistance for Needy Families (TANF) State Programs | 93.558 | G-1819-11-5752 | 456,024 |
| Child Support Enforcement | 93.563 | G-1819-11-5752 | 331,842 |
| <i>CCDF Cluster:</i> | | | |
| Child Care and Development Block Grant | 93.575 | G-1819-11-5752 | 16,759 |
| Stephanie Tubbs Jones Child Welfare Services Program: | | | |
| Child Welfare Services-Title IV-B | 93.645 | G-1819-11-5752 | 39,001 |
| Child Welfare Services-Title IV-B Admin | 93.645 | G-1819-11-5752 | 3,144 |
| Total Stephanie Tubbs Jones Child Welfare Services Program | | | 42,145 |

---(continued)

HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | CFDA NUMBER | PASS-THROUGH GRANT NUMBER | CASH FEDERAL DISBURSEMENTS |
|---|----------------|---------------------------------|----------------------------------|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| PASSED THROUGH THE OHIO DEPARTMENT OF JOB AND FAMILY SERVICES | | | |
| (continued) | | | |
| Foster Care-Title IV-E: | | | |
| Title IV-E Foster Care Services | 93.658 | G-1819-11-5752 | 427,024 |
| IV-E Administration & Training - Foster Care | 93.658 | G-1819-11-5752 | 27,875 |
| Total Foster Care-Title IV-E | | | <u>454,899</u> |
| Adoption Assistance: | | | |
| IV-E Administration & Training | 93.659 | G-1819-11-5752 | 48,854 |
| Non-Recurring Adoption | 93.659 | G-1819-11-5752 | 472 |
| Total Adoption Assistance | | | <u>49,326</u> |
| Social Services Block Grant | 93.667 | G-1819-11-5752 | 318,976 |
| Federal Chafee Foster Care Independence Program | 93.674 | G-1819-11-5752 | 3,326 |
| Children's Health Insurance Program | 93.767 | G-1819-11-5752 | 36,684 |
| Home Choice Transitions Program | 93.791 | N/A | 13,351 |
| Total Passed Through the Ohio Job and Family Services | | | <u>1,744,441</u> |
| PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES | | | |
| Social Services Block Grant | 93.667 | N/A | <u>25,045</u> |
| PASSED THROUGH THE OHIO DEPARTMENT OF MEDICAID | | | |
| <i>Medicaid Cluster:</i> | | | |
| Medical Assistance Program - ODJFS | 93.778 | G-1819-11-5752 | 314,683 |
| Medical Assistance Program - ODODD | 93.778 | N/A | 125,767 |
| Total Passed Through the Ohio Department of Medicaid | | | <u>440,450</u> |
| Total All Social Services Block Grant - CFDA No. 93.667 | | | <u>344,021</u> |
| PASSED THROUGH THE AREA OFFICE OF AGING OF NORTHWESTERN OHIO, INC. | | | |
| <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 |
| Title III, Part C--Nutrition Services | 93.045 | N/A | 73,085 |
| Total Aging Cluster | | | <u>124,702</u> |
| Total U.S. Department of Health and Human Services | | | <u>2,334,638</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| PASSED THROUGH THE | | | |
| OHIO DEPARTMENT OF PUBLIC SAFETY | | | |
| Emergency Management Performance Grants: | | | |
| Emergency Management Performance Grants - FY 2017 EMPG | 97.042 | EMC-2017-EP-00006-S01 | 22,200 |
| Emergency Management Performance Grants - FY 2018 EMPG | 97.042 | EMC-2018-EP-00008-S01 | 30,465 |
| Total U.S. Department of Homeland Security | | | <u>52,665</u> |
| Total Federal Award Expenditures | | | <u>\$ 4,307,245</u> |

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

HENRY COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying the Schedule of Expenditure of Federal Awards (the Schedule) includes that federal award activity of Henry County (the County’s) under programs of the federal government for the year ended December 31, 2018. 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 - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The current cash balance of the County’s local program income account as of December 31, 2018 is \$497,721.

NOTE D – SUBRECIPIENTS

The County had no subrecipients in 2018.

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 2018, the County made allowable transfers of \$236,922 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 \$456,024 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 2018 and the amount transferred to the Social Services Block program.

| | | |
|--|----|-----------------------|
| Temporary Assistance for Needy Families (TANF) | \$ | 692,946 |
| Transfer to Social Services Block Grant (SSBG) | | <u>(236,922)</u> |
| Total | \$ | <u><u>456,024</u></u> |

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report

To the Henry County Board of Commissioners
Napoleon, Ohio:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 28, 2019, wherein we noted the County adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002, that we consider to be material weaknesses.

Compliance and Other Matters

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

County's Responses to Findings

The County's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 28, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE****Independent Auditors' Report**

To the Henry County Board of Commissioners
Napoleon, Ohio:

Report on Compliance for Each Major Federal Program

We have audited Henry County, Ohio's (the "County") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2018. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of compliance requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 28, 2019

HENRY COUNTY, OHIO
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2018

Section I – Summary of Auditors’ Results

Financial Statements

| | |
|--|------------|
| Type of auditors’ report issued: | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | Yes |
| • Significant deficiency(ies) identified not considered to be material weaknesses? | None noted |
| Noncompliance material to the financial statements noted? | None noted |

Federal Awards

| | |
|--|------------|
| Internal control over major programs: | |
| • Material weakness(es) identified? | None noted |
| • Significant deficiency(ies) identified not considered to be material weaknesses? | None noted |
| Type of auditors’ report issued on compliance for major programs: | Unmodified |
| Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| Identification of major programs: | |
| • CFDA 14.228 – Community Development Block Grant/State’s Program | |
| • Medicaid Cluster: CFDA 93.778 – Medical Assistance Program | |
| Dollar threshold to distinguish between Type A and Type B Programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | No |

HENRY COUNTY, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018
(continued)

Section II – Financial Statement Findings

2018-001 Financial Reporting

During the course of our audit, we identified misstatements in the financial statements that were not initially identified by the County's internal control over financial reporting. A deficiency in internal control exists when the design of operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. In this case, the internal controls over the preparation and review of the County's financial statements did not operate as designed. The County contracts with a third-party consultant to prepare its year-end financial statements. While the County may rely on the consultant to provide technical assistance and financial statement preparation, it is still the responsibility of the County to review the financials prepared by the consultant for errors and omissions.

An audit adjustment was necessary to restate the prior year financial statements to correct an error in reporting the 1998 Special Assessment Bonds balance and reflect the final payment being made during 2018. Other audit adjustments included an adjustment to record additional accounts payable for amounts due as of December 31, 2018, and an adjustment to reduce due from other governments for amounts that will not be received.

We recommend the County enhance its internal controls over financial reporting with steps such as management's review of conversion documentation for completeness and accuracy and improved communication with hired consultants to ensure the preparation of complete, accurate and reliable financial statements in conformity with generally accepted accounting principles.

Views of Responsible Officials: *The County concurs with these adjustments which have been posted to the financial statements.*

2018-002 Schedule of Expenditures of Federal Awards

In accordance with the Uniform Guidance, management is responsible for identifying all Federal awards received and expended and the Federal programs under which they were received and reporting the amount of Federal awards provided to subrecipients. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. During our testing, we noted the County's Schedule of Expenditures of Federal Awards (SEFA) was not complete as program expenditures were not accurate. The SEFA was corrected.

We recommend the County review fiscal year activity to ensure that all federal programs have been accounted for accurately and completely on its SEFA.

HENRY COUNTY, OHIO

Schedule of Findings and Questioned Costs

Year Ended December 31, 2018

(continued)

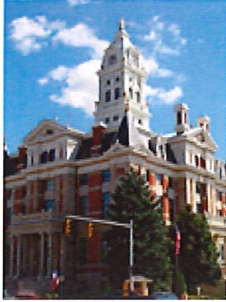
Section II – Financial Statement Findings—continued

***Views of Responsible Officials:** The County concurs. The omission occurred due to a change in accounting of grants, by grant agreement, starting in September 2018. However, the County did not go back and reclassify expenditures prior to the change, and left them in the aggregated account. Initially, the SEFA only included the accounts by grant agreement and did not include the amounts included in the aggregated account. From here on, the grant accounting is more detailed and will prevent this issue from occurring again.*

Section III – Federal Award Findings and Questioned Costs

None noted

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HENRY COUNTY AUDITOR

Kevin Garringer, Auditor

660 North Perry Street, P.O. Box 546 Napoleon, Ohio 43545
Phone: 419-592-1956 Fax: 419-592-4024

CORRECTIVE ACTION PLAN

June 28, 2019

U.S. Department of Health and Human Services

Henry County, Ohio respectfully submits the following corrective action plan for the year ended December 31, 2018.

Name and address of independent public accounting firm:

Clark Schaefer Hackett
3166 N. Republic Blvd.
Toledo, Ohio 43615

Audit period: December 31, 2018

The findings from the December 31, 2018 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings—Financial Statement Audit

Material Weaknesses

2018-01 Financial Reporting

Recommendation: It was recommended the County enhance its internal controls over financial reporting with steps such as management's review of conversion documentation for completeness and accuracy and improved communication with hired consultants to ensure the preparation of complete, accurate and reliable financial statements in conformity with generally accepted accounting principles.

Action Taken: We concur with the recommendation, and it will be implemented effective June 28, 2019.

2018-02 Schedule of Expenditures of Federal Awards

Recommendation: We recommend the County review the fiscal year activity to ensure that all federal programs have been accounted for accurately and completely on its schedule of expenditures of federal awards.

Action Taken: We concur with the recommendation. The omission occurred due to a change in internal accounting of grants, by grant agreement, starting in September 2018. However, the County did not go back and reclassify expenditures prior to the change and left them in the aggregated account. Initially, the SEFA only included the accounts by grant agreement and did not include the amounts included in the aggregated account. From here on, the grant accounting is more detailed and will prevent this issue from occurring again.

Findings—Federal Award Programs Audits

None noted.

If the U.S. Department of Health and Human Services has questions regarding this plan, please call Kevin Garringer, Henry County Auditor at 419-592-1956.

Sincerely,



Kevin Garringer,
Henry County Auditor



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OHIO AUDITOR OF STATE KEITH FABER



HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 22, 2019**