HENRY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

HENRY COUNTY
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REPORT OF INDEPENDENT ACCOUNTANTS

Henry County
660 North Perry Street
Napoleon, Ohio 43545-1747

To the Board of Commissioners:

We have audited the accompanying general-purpose financial statements of Henry County (the County) as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Henry County, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the general-purpose financial statements, as of January 1, 1999, the County restated the beginning balance of the special assessment debt with government commitment in the General Long Term Obligations Account Group.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2000 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Jim Petro
Auditor of State

July 20, 2000

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HENRY COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	$1,495,000	$2,941,794	$584,474	$417,657
Investments			290,000	
Cash in segregated accounts	33,586	339		
Receivables (net of allowances for uncollectibles):				
Taxes	1,936,854	1,000,000	600,000	
Accounts	11,954	29,424		
Accrued interest	67,674	2,480	1,591	
Loans		945,604		
Special assessments			242,350	628,858
Advances to other funds	168,000			
Due from other funds	3,090	2,867		
Due from other governments	29,013	261,318	1,254	61,066
Due from component units		545		
Prepayments	45,501	3,801		
Materials and supplies inventory	25,350	110,469		
Property, plant and equipment (net of accumulated depreciation where applicable)				
Restricted Assets:				
Cash and cash equivalents in segregated accounts				
Other Debits:				
Amount available in debt service fund for retirement of general obligation debt				
Amount available in debt service fund for retirement of special assessment debt				
Amount to be provided from special assessments.				
Amount to be provided from general government resources				
Amount to be provided from component unit resources				
Total assets and other debits	**$3,816,022**	**$5,298,641**	**$1,719,669**	**$1,107,581**

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
$460,041	$3,033,930			$8,932,896	$939,027	$9,871,923
				290,000		290,000
	296,464			330,389	14,355	344,744
				3,536,854	1,886,655	5,423,509
4,031				45,409	15,685	61,094
2,519				74,264		74,264
				945,604		945,604
				871,208		871,208
				168,000		168,000
128				6,085		6,085
				352,651	36,698	389,349
				545		545
64				49,366	2,079	51,445
456				136,275	15,573	151,848
630,772		$23,676,855		24,307,627	3,051,184	27,358,811
965,500				965,500		965,500
			$812,822	812,822		812,822
			65,482	65,482		65,482
			369,759	369,759		369,759
			5,575,372	5,575,372		5,575,372
					251,863	251,863
$2,063,511	**$3,330,394**	**$23,676,855**	**$6,823,435**	**$47,836,108**	**$6,213,119**	**$54,049,227**

(Continued)

HENRY COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 1999
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	$34,127	$194,082		$104,793
Accrued wages and benefits	43,288	116,001		
Compensated absences payable	9,791	18,585		
Pension obligation payable	47,267	102,515		
Advances from other funds				168,000
Deferred revenue	1,657,724	1,042,694	$841,365	628,858
Due to other funds	2,250	3,498		337
Due to other governments	7,469			
Due to primary government				
Amount to be repaid to claimants				
Deposits held and due to others				
Accrued interest payable				5,546
Estimated liability for landfill closure costs				
Revenue bonds payable				
Notes payable				170,000
General obligation bonds payable				
Special assessment debt with government commitment				
OWDA loan payable				
Total liabilities	1,801,916	1,477,375	841,365	1,077,534
Equity and Other Credits:				
Investment in general fixed assets				
Accumulated Deficit				
Fund balances:				
Reserved for encumbrances	48,186	106,582		10,453
Reserved for materials and supplies inventory	25,350	110,469		
Reserved for loans		945,604		
Reserved for prepayments	45,501	3,801		
Reserved for advances	168,000			
Reserved for debt service			878,304	
Unreserved-undesignated	1,727,069	2,654,810		19,594
Total equity and other credits	2,014,106	3,821,266	878,304	30,047
Total liabilities, equity and other credits	$3,816,022	$5,298,641	$1,719,669	$1,107,581

The notes to the general-purpose financial statements are an integral part of this statement.

	Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
	$42,051				$375,053	$163,921	$538,974
	4,494				163,783	113,524	277,307
	3,298			$802,162	833,836	253,687	1,087,523
	4,309				154,091	67,793	221,884
					168,000		168,000
					4,170,641	1,883,559	6,054,200
					6,085		6,085
	2,784	$3,012,393			3,022,646	7,761	3,030,407
						545	545
		11,324			11,324		11,324
		296,464			296,464		296,464
	36,546				42,092		42,092
	1,295,965				1,295,965		1,295,965
				2,800,000	2,800,000		2,800,000
	1,235,000				1,405,000		1,405,000
				2,600,000	2,600,000		2,600,000
				435,241	435,241		435,241
				186,032	186,032		186,032
	2,624,447	3,320,181		6,823,435	17,966,253	2,490,790	20,457,043
			$23,676,855		23,676,855	3,051,184	26,728,039
	(560,936)				(560,936)		(560,936)
					165,221	2,070	167,291
					135,819	15,573	151,392
					945,604		945,604
					49,302	2,079	51,381
					168,000		168,000
					878,304		878,304
		10,213			4,411,686	651,423	5,063,109
	(560,936)	10,213	23,676,855		29,869,855	3,722,329	33,592,184
	$2,063,511	$3,330,394	$23,676,855	$6,823,435	$47,836,108	$6,213,119	$54,049,227

HENRY COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUND AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types	
	General	**Special Revenue**
Revenues:		
Property and other taxes	$1,540,103	$892,516
Sales taxes	1,970,309	325,028
Charges for services	685,993	1,036,546
Licenses and permits	4,768	66,707
Fines and forfeitures	66,765	86,083
Special assessments		
Intergovernmental	1,046,259	6,092,116
Investment income	428,100	65,930
Other	393,865	694,355
Total revenues	6,136,162	9,259,281
Expenditures:		
Current:		
General government:		
Legislative and executive	1,171,058	315,000
Judicial	751,190	4,548
Public safety	1,498,138	280,160
Public works	208,069	3,936,409
Health	20,486	1,173,254
Human services	624,772	3,315,210
Economic development and assistance		22,470
Other	1,168,606	57
Capital outlay		486,560
Debt service:		
Principal retirement		
Interest and fiscal charges		
Total expenditures	5,442,319	9,533,668
Excess of revenues over (under) expenditures	693,843	(274,387)
Other financing sources (uses):		
Operating transfers in		123,598
Operating transfers out	(256,849)	(26,103)
Total other financing sources (uses)	(256,849)	97,495
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	436,994	(176,892)
Fund balance at January 1	1,580,682	3,981,902
Increase (decrease) in reserve for inventory	(3,570)	16,256
Fund balance at December 31	**$2,014,106**	**$3,821,266**

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Type			
Debt Service	Capital Projects	Expendable Trust	Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
$614,674	$244,605		$3,291,898	$1,890,215	$5,182,113
			2,295,337		2,295,337
27,780			1,750,319	737,942	2,488,261
			71,475		71,475
			152,848		152,848
60,327	326,022		386,349		386,349
169	177,724		7,316,268	1,649,110	8,965,378
22,203			516,233		516,233
290,677	11,540		1,390,437	980,687	2,371,124
1,015,830	759,891		17,171,164	5,257,954	22,429,118
			1,486,058		1,486,058
			755,738		755,738
			1,778,298		1,778,298
			4,144,478		4,144,478
			1,193,740	175,311	1,369,051
			3,939,982	4,778,635	8,718,617
			22,470		22,470
27,235	1,309		1,197,207		1,197,207
	1,293,897		1,780,457	42,700	1,823,157
550,653			550,653		550,653
331,190	5,546		336,736		336,736
909,078	1,300,752		17,185,817	4,996,646	22,182,463
106,752	(540,861)		(14,653)	261,308	246,655
16,640	4,354		144,592		144,592
	(16,640)		(299,592)		(299,592)
16,640	(12,286)		(155,000)		(155,000)
123,392	(553,147)		(169,653)	261,308	91,655
754,912	583,528	$10,213	6,911,237	405,301	7,316,538
	(334)		12,352	4,536	16,888
$878,304	**$30,047**	**$10,213**	**$6,753,936**	**$671,145**	**$7,425,081**

HENRY COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes:						
Property taxes	$1,501,384	$1,539,322	$37,938	$990,467	$891,994	($98,473)
Sales taxes	1,960,668	1,960,668		308,830	308,720	(110)
Charges for services	635,008	684,908	49,900	1,017,682	1,057,278	39,596
Licenses and permits	3,885	4,768	883	66,707	66,707	
Fines and forfeitures	55,000	63,622	8,622	79,960	83,688	3,728
Intergovernmental	1,040,551	1,032,255	(8,296)	6,526,296	6,127,596	(398,700)
Special assessments						
Investment income	500,000	429,069	(70,931)	66,906	68,898	1,992
Other	1,592	1,112	(480)	553,219	1,016,357	463,138
Total revenues	5,698,088	5,715,724	17,636	9,610,067	9,621,238	11,171
Expenditures:						
Current:						
General Government / leg. and exec.	1,343,823	1,184,276	159,547	440,293	336,299	103,994
Judicial	828,803	776,030	52,773	15,100	5,027	10,073
Public safety	1,560,978	1,529,568	31,410	359,275	288,481	70,794
Public works	296,835	224,292	72,543	4,167,758	4,000,277	167,481
Health	42,346	22,119	20,227	1,466,848	1,284,993	181,855
Human services	628,599	628,599		3,754,427	3,292,850	461,577
Transportation				10,000		10,000
Capital outlay				1,201,307	889,686	311,621
Debt service:						
Principal retirement						
Interest and fiscal charges						
Other miscellaneous expenditures	1,120,553	905,451	215,102		57	(57)
Total expenditures	5,821,937	5,270,335	551,602	11,415,008	10,097,670	1,317,338
Excess of revenues over (under) expenditures	(123,849)	445,389	569,238	(1,804,941)	(476,432)	1,328,509
Other financing sources and (uses):						
Proceeds of notes						
Operating transfers in				99,129	89,129	(10,000)
Operating transfers (out)	(251,291)	(251,291)				
Other financing sources	368,381	359,798	(8,583)			
Other financing (uses)	(332,783)	(332,783)				
Total other financing sources (uses)	(215,693)	(224,276)	(8,583)	99,129	89,129	(10,000)
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(339,542)	221,113	560,655	(1,705,812)	(387,303)	1,318,509
Fund balance, January 1	1,164,800	1,164,800		2,870,735	2,870,735	
Prior year encumbrances appropriated	37,407	37,407		216,299	216,299	
Fund balance, December 31	**$862,665**	**$1,423,320**	**$560,655**	**$1,381,222**	**$2,699,731**	**$1,318,509**

The notes to the general-purpose financial statements are an integral part of this statement.

Debt Service Funds			Capital Projects Funds			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
$614,458	$614,458		$244,913	$244,913		$3,351,222	$3,290,687	($60,535)
						2,269,498	2,269,388	(110)
27,780	27,780					1,680,470	1,769,966	89,496
						70,592	71,475	883
						134,960	147,310	12,350
			197,312	197,312		7,764,159	7,357,163	(406,996)
60,327	60,327		326,022	326,022		386,349	386,349	
21,548	21,548					588,454	519,515	(68,939)
290,680	290,680		189,648	14,648	($175,000)	1,035,139	1,322,797	287,658
1,014,793	1,014,793		957,895	782,895	(175,000)	17,280,843	17,134,650	(146,193)
						1,784,116	1,520,575	263,541
						843,903	781,057	62,846
						1,920,253	1,818,049	102,204
						4,464,593	4,224,569	240,024
						1,509,194	1,307,112	202,082
						4,383,026	3,921,449	461,577
						10,000		10,000
			1,600,172	1,433,288	166,884	2,801,479	2,322,974	478,505
705,862	621,412	$84,450				705,862	621,412	84,450
190,666	243,794	(53,128)	6,000		6,000	196,666	243,794	(47,128)
22,506	27,064	(4,558)	2,181	1,309	872	1,145,240	933,881	211,359
919,034	892,270	26,764	1,608,353	1,434,597	173,756	19,764,332	17,694,872	2,069,460
95,759	122,523	26,764	(650,458)	(651,702)	(1,244)	(2,483,489)	(560,222)	1,923,267
				170,000	170,000		170,000	170,000
			4,354	4,354		103,483	93,483	(10,000)
						(251,291)	(251,291)	
						368,381	359,798	(8,583)
	(172)	(172)				(332,783)	(332,955)	(172)
	(172)	(172)	4,354	174,354	170,000	(112,210)	39,035	151,245
95,759	122,351	26,592	(646,104)	(477,348)	168,756	(2,595,699)	(521,187)	2,074,512
752,123	752,123		616,747	616,747		5,404,405	5,404,405	
			264,606	264,606		518,312	518,312	
$847,882	**$874,474**	**$26,592**	**$235,249**	**$404,005**	**$168,756**	**$3,327,018**	**$5,401,530**	**$2,074,512**

HENRY COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN ACCUMULATED DEFICIT
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Charges for services	$918,506
Other operating revenues	98,538
Total operating revenues	1,017,044
Operating expenses:	
Personal services	144,338
Contract services	353,343
Materials and supplies	103,823
Depreciation	35,212
Other	83,099
Landfill closure and post-closure costs	390,614
Total operating expenses	1,110,429
Operating loss	(93,385)
Nonoperating revenues (expenses):	
Interest expense and fiscal charges	(58,226)
Loss on sale of fixed assets	(276)
Investment earnings	42,306
Total nonoperating revenues (expenses)	(16,196)
Net loss before operating transfers	(109,581)
Operating transfers in	155,000
Net income	45,419
Accumulated deficit at January 1	(606,355)
Accumulated deficit at December 31	**($560,936)**

The notes to the general-purpose financial statements are an integral part of this statement.

HENRY COUNTY
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from customers	$924,327
Cash received from other operations	88,817
Cash payments for personal services	(145,382)
Cash payments for contract services	(320,298)
Cash payments supplies and materials	(104,168)
Cash payments for other expenses	(83,577)
Net cash provided by operating activities	359,719
Cash flows from noncapital financing activities:	
Transfers in from other funds	155,000
Net cash provided by noncapital financing activities	155,000
Cash flows from capital and related financing activities:	
Proceeds from issuance of debt	1,235,000
Principal retirement	(1,370,000)
Interest paid	(66,260)
Acquisition of capital assets	(54,000)
Net cash used in capital and related financing activities	(255,260)
Cash flows from investing activities:	
Interest received	43,301
Net cash provided by investing activities	43,301
Net increase in cash and cash equivalents	302,760
Cash and cash equivalents at January 1	1,122,781
Cash and cash equivalents at December 31	**$1,425,541**

(Continued)

HENRY COUNTY
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

	Proprietary Fund Type
	Enterprise
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	($93,385)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	35,212
Changes in assets and liabilities:	
Increase in materials and supplies inventory	(345)
Increase in accounts receivable	(3,929)
Increase in prepayments	(39)
Decrease in due from other funds	29
Increase in accounts payable	34,405
Increase in pension obligation payable	1,042
Decrease in accrued wages and benefits	(958)
Decrease in compensated absences payable	(1,128)
Decrease in due to other governments	(1,799)
Increase in estimated liability for landfill closure	390,614
Net cash provided by operating activities	**$359,719**

The notes to the general-purpose financial statements are an integral part of this statement.

NOTE 1 - REPORTING ENTITY

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The general-purpose financial statements (GPFS) include all funds, account groups, agencies, boards, commissions, and component units for which Henry County and the County commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's general-purpose financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of 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. Responsibility was evaluated on the basis of financial dependence and the manifestations of oversight exercised by the Commissioners. Among the factors considered were budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, reliance of the organization on continuing subsidies from the County, selection of governing authority, and designation of management.

Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying general-purpose financial statements as follows:

DISCRETELY PRESENTED COMPONENT UNIT

Henry County Board of Mental Retardation and Development Disabilities (MRDD) - The County Commissioners appoint a majority of the Board's members, approve the budget and authorize the expenditure of funds. The Board does not provide services solely to the primary government, and the board of MRDD is not considered substantively the same as the primary government (Henry County). Thus, discrete presentation is appropriate. Complete financial statements of the component unit can be obtained from the administrative office at the following address: Board of MRDD, J-169 State Route 65, McClure, Ohio 43534.

Henry County Senior Center - The County Commissioners levy taxes and serve as the appropriating authority for certain funds of the Senior Center. The operations of the Senior Center are accounted for as a Component Unit.

JOINTLY GOVERNED ORGANIZATIONS

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

MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main sources of revenue are fees charged by MVPO to administer CDBG grants and a per capita amount from each county. In 1999, the County paid administrative fees of $2,038 and per capita charges of $62,102 to MVPO.

NOTE 1 - REPORTING ENTITY (Continued)

Defiance-Fulton-Henry Counties Council - The County is a member of the Defiance-Fulton-Henry Counties Council (the "Council") which is a jointly governed organization between Defiance, Fulton and Henry Counties. The Council was formed under Ohio Revised Code Section 167.04 as a regional council of governments. The purpose of the Council is to foster cooperation among the three member counties in all areas of services. Total expenditures made by the County to the Council in 1999 were $931,519. Fulton County acts as the fiscal agent for the Council.

JOINT VENTURES - WITHOUT EQUITY INTEREST

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

The Corrections Commission is governed by a Commission Team made up of 18 members. These members consist of one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. Sources of revenue include operating costs and capital costs contributed by Members and rental revenue. The County does not have an explicit, measurable right to the net resources of the Commission. Total expenditures made by the County to the Corrections Commission in 1999 were $545,336. Complete financial statements for the Corrections Commission can be obtained from the Corrections Commission's administrative office on County Road 24 in Stryker, Ohio.

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

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

The main sources of revenue for the Board are state and federal grants, and a property tax levy covering the entire four county area. Outside agencies are contracted by the Board to provide services for the Board. The Board operates autonomously from the County and the County has no financial responsibility for the operations of the Board. The County does have indirect access to the net resources of the Board. In the event the County withdrew from the Board, it would be entitled to a share of state and federal grants that is currently being received by the Board. This access to the net resources of the Board has not been explicitly defined, nor is it currently measurable. Complete financial statements for the Board can be obtained from the Board at its offices located at T-761 State Route 66, Archbold, Ohio.

NOTE 1 - REPORTING ENTITY (Continued)

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

Quadco is governed by an eight-member board composed of two appointees made by each of the four County Boards of Mental Retardation and Developmental Disabilities (County Boards of MR/DD). This board, in conjunction with the County Boards of MRDD assess the need of the adult mentally retarded and developmentally disabled residents in each County and set priorities based on available funds. The County provides subsidies to the Board based on units of service provided to it. For the year ended December 31, 1999, the County remitted $802,678 to Quadco to supplement its operations.

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

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

NWOJDD is governed and operated by a thirteen member board of trustees consisting of three trustees from each county and one at large member. Revenue sources are from member counties and rental revenue. The County has no ongoing financial responsibility for NWOJDD. Total expenditures made by the County to NWOJDD in 1999 were $254,572. Defiance County acts as the fiscal agent for NWOJDD.

RELATED ORGANIZATIONS

Henry County Metropolitan Housing Authority - The Henry County Metropolitan 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and reporting practices of Henry County conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The following is a summary of its significant accounting policies:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the County are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate. The following fund types and account groups are used by the County:

GOVERNMENTAL FUNDS:

General Fund - The general fund is used to account for all activities of the County not required to be included in another fund.

Special Revenue Funds - The special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The debt service funds are used to account for the accumulation of financial resources for, and the payment of, general obligation long-term debt principal, interest and related costs.

Capital Projects Funds - The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

PROPRIETARY FUNDS:

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.

FIDUCIARY FUNDS:

Trust and Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust funds and agency funds. Agency funds are custodial in nature, and do not present results of operations or have a measurement focus (i.e., assets equal liabilities). Agency funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS:

General Fixed Assets Account Group - The general fixed assets account group is used to account for all general fixed assets of the County, other than those fixed assets accounted for in the proprietary funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Long-Term Obligations Account Group - The general long-term obligations account group is used to account for all long-term obligations of the County, except those accounted for in the proprietary funds.

COMPONENT UNITS:

Component Units - Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financial statements to be misleading or incomplete.

B. BASIS OF ACCOUNTING

The modified accrual basis of accounting is followed for governmental, expendable trust funds, and component units. Revenues are recognized in the period when measurable and available to meet obligations incurred during the year. The County defines available as meaning collectible within 60 days of year-end. Revenues which are accrued include earnings on investments; delinquent real and personal property taxes; sales taxes; federal and state grants and subventions; and charges for current services.

Deferred revenues, as reported on the combined balance sheet, arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Special assessments are recorded as deferred revenue because they do not meet the availability criteria. Property taxes that are measurable as of December 31, 1999, but are intended to finance 2000 operations, and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenue.

The only revenue sources not susceptible to accrual include dog and vendor licenses, donations, and certain fines and forfeitures.

Expenditures are recognized when the related liability is expected to be liquidated with expendable available financial resources with the following exceptions: general long term obligation principal and interest is reported only when paid, and the costs of accumulated unpaid vacation and sick leave are reported in the period due and payable rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Unbilled service charges receivable are recognized as revenue at year-end.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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 all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

C. BUDGETARY DATA

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

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the fall with respective officeholders and department heads.

2. Shortly after the beginning of the fiscal year, the County Commissioners pass an Appropriation Resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.

3. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.

4. The revised budget figures reflected in the combined financial statements include the prior year appropriations carried over for liquidations against prior year encumbrances, and any amendments to the original Appropriation Resolution.

5. The Commissioners appropriate at the fund level. For funds which are directly appropriated by the Commissioners, transfers of appropriations at the fund level 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 1999.

7. Unencumbered appropriations lapse at year-end. Contracts and purchase-type encumbrances outstanding at year-end carry their appropriations with them into the next year. Contracts and purchase-type encumbrances outstanding at year-end are recorded as expenditures on the budget basis of accounting.

8. The budgetary procedures described herein apply to all funds except the trust and agency funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ENCUMBRANCES

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

E. CASH AND INVESTMENTS

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" and "investments" on the combined balance sheet.

During fiscal year 1999, investments were limited to repurchase agreements and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

The County allocates interest to funds of the internal investment pool in a manner consistent with Ohio statute, federal regulation, or Commissioners' resolution. The General fund was credited with more interest revenue than would have been received based upon its share of the County's cash fund balance during 1999.

	Interest Actually Received	Interest Based Upon Share of Cash Fund Balance	Interest Assigned from Other Funds
General	$428,100	$69,429	$358,671

The County has segregated bank accounts for monies held separate from the County's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "cash in segregated accounts" since they are not required to be deposited into the County treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, to the extent a specific fund has purchased the investment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. RESTRICTED ASSETS

Restricted assets in the enterprise fund represents cash and cash equivalents in segregated accounts required to be set aside by state and federal laws and regulations to finance closure and postclosure care costs of the County's landfill.

G. HEALTH CARE

The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 required the County to offer and provide terminated or retired employees continued participation in the County's employee health care benefits program, provided that the employees pay the rate established by the plan administrator. In 1999, the County incurred expenditures of $2,421 in providing these services, and recognized revenues of $4,803 for premiums received from these former employees.

H. INVENTORIES OF MATERIALS AND SUPPLIES

Inventories are valued at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

I. PROPERTY, PLANT, EQUIPMENT, AND DEPRECIATION

1. *General Fixed Assets Account Group*

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their fair market values as of the date donated. The County follows a policy of not capitalizing infrastructure, which is defined as assets that are immovable and of value only to the County (i.e., roads, bridges, etc.), ornamental artifacts, or any asset with a cost of less than $500. No depreciation is recognized for assets in the account group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

2. *Enterprise Funds*

Property, plant, and equipment reflected in the enterprise funds are stated at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year. Contributed fixed assets are recorded at their fair market value as of the date donated. Depreciation and amortization have been provided on a straight-line basis over the following estimated useful lives:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description	Estimated Life
Autos and trucks	5
Machinery, equipment, furniture and fixtures	5 - 15
Building improvements	15
Sewer and water treatment plants and buildings	20
Other buildings	25 - 50
Sewer and water mains	70

The County also capitalizes the cost of major renovations which extend the useful life of an asset or which enable it to perform new or more valuable services. Interest on tax exempt debt issued to construct enterprise fund fixed assets is capitalized, net of interest earned on the proceeds of such debt.

J. COMPENSATED ABSENCES

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave benefits for employees meeting the above requirements who are paid from Proprietary funds are recorded as an expense when earned.

County employees earn vacation at varying rates ranging from two to five weeks per year. Sick leave is accumulated at the rate of 4.6 hours per 80 hours worked. Vacation and sick leave is accumulated on an hours-worked basis. Vacation pay is vested after one year and sick pay upon eligibility for retirement. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. The County does not accrue a liability for non-vested sick leave or vacation benefits except as required by GASB Statement No. 16 (see above).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. INTERGOVERNMENTAL REVENUES

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as receivables and revenues when the entitlement occurs. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

L. LONG-TERM OBLIGATIONS

Long-term obligations for general obligation bonds, vested sick and vacation leave, capital lease obligations, and any claims or judgement that are expected to be paid from the governmental funds are shown in the General Long-Term Obligations Account Group, while those expected to be paid from proprietary funds are shown as a liability of those funds.

M. INTERFUND TRANSACTIONS

During the course of normal operations, the County has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.

2. Reimbursements from one fund to another (quasi-external transactions) are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Amounts outstanding at year-end are reported on the balance sheet as due to/from other funds.

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reported as interfund loans receivable or payable on the combined balance sheet.

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

5. Non recurring and non-routine permanent transfers of equity are reported as residual equity transfers.

An analysis of interfund transactions is presented in Note 5.

N. FUND BALANCE RESERVES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Henry County reports amounts representing material and supply inventories, available debt service equity, prepaid items, encumbrances outstanding, loans receivable, and long-term interfund obligations as reservations of fund balance in the governmental funds.

O. BOND DISCOUNTS, PREMIUMS AND ISSUANCE COSTS

When the proceeds from general obligation bonded debt are placed in a governmental type fund, any bond issuance costs are shown as capital outlay expenditures. Any premium or discount is included in "Other Financing Sources - Bond Proceeds" on the Statement of Revenues, Expenditures and Changes in Fund Balance. The long-term debt that appears in the General Long-Term Obligations Account Group would always be reported at the bond's face value.

When the proceeds from general obligation bonded debt are placed in a proprietary type fund, and the debt will be serviced from revenues generated by that fund, then any material issuance costs will be reported as a deferred charge and amortized over the life of the bond using the interest method. Any material discounts or premiums are shown as additions to or deductions from the account of the bond liability, are amortized using the interest method, and are reflected as interest income or expense in the Statement of Revenues, Expenses, and Changes in Retained Earnings.

P. STATEMENT OF CASH FLOWS

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The County has presented a statement of cash flows for its enterprise funds. For purposes of the statement of cash flows, the County considers cash and cash equivalents to include "Equity in pooled cash and cash equivalents."

Q. PREPAIDS AND DEFERRALS

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future governmental fund expenditures the fund balance is reserved by an amount equal to the carry value of the asset.

R. FINANCIAL REPORTING FOR PROPRIETARY FUND TYPES

The County's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The County accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

T. RECEIVABLES AND PAYABLES

Receivables and payables to be recorded on the County's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of payables, collectibility.

Using this criteria, the County has elected to not record child support arrearages within the Special Revenue and Agency fund types. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

U. TOTAL COLUMNS ON GENERAL-PURPOSE FINANCIAL STATEMENTS

Total Columns on the general-purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of the statement indicates that a component unit is included, two total columns are presented. The first is captioned "primary government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "reporting entity" and includes operations of the County's legally separate discretely presented component unit (see Note 2.A). The total column on statements which do not include the component unit have no additional caption.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment has been recorded in the General Long Term Obligations Account Group (GLTOAG) to restate the beginning balance for special assessment bonds with governmental commitment which was outstanding at December 31, 1998. The effect of the restatement is shown below:

Total Liabilities in GLTOAG as previously reported, December 31, 1998	$7,190,610
1998 Special Assessment Bonds with Governmental Commitment	211,925
Restated total liabilities in GLTOAG at January 1, 1999	$7,402,535

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. DEFICIT RETAINED EARNINGS/FUND BALANCES

Retained earnings/fund balances at December 31, 1999 included the following individual fund deficits:

	Deficit Fund Balance/ Retained Earnings
Capital Projects Fund:	
Grelton Waterline Extension	$94,193
Misamore Petition Ditch	157,551
Enterprise Funds:	
Hahn Center	518,663
Landfill Closure and Post Closure	128,799

These deficits are caused by the application of generally accepted accounting principles to these funds. These GAAP deficits will be funded by anticipated future revenues or other subsidies not recognized or recorded at December 31. The General fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

C. AGENCY FUNDS

The following are material receivables for Agency fund types, which, in other fund types, would be reported in the combined balance sheet:

Assets	
Real and Other Taxes Receivable	$21,981,044
Special Assessments Receivable	653,982
Due from Other Governments	81,223
	$22,716,249
Liabilities	
Due to Other Governments	$22,716,249

D. COMPLIANCE

The County did not fully comply with Ohio Revised Code Section 5705.41(D) regarding the prior certification of budgetary funds.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

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

9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and

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

10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

Cash on Hand: At year end, the County had $244,473 in undeposited cash on hand which is included on the Balance Sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents," but is not part of the County's carrying amount of deposits, reported below.

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

Deposits: At year-end, the carrying amount of the County's deposits was $10,227,694 and the bank balance was $10,887,907. Both amounts include non-negotiable certificates of deposit and deposits representing custodial funds described in Note 1. Of the bank balance:

1. $548,223 was covered by federal depository insurance; and

2. $10,339,684 was uninsured and uncollateralized. Although all state 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.

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

	Category 3	Fair Value
Repurchase Agreements	$1,000,000	$1,000,000

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

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

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

	Cash and Cash Equivalents/ Deposits	Investments
Per Combined Balance Sheet	$10,837,423	$290,000
Reclassifications:		
Repurchase Agreements	(1,000,000)	1,000,000
Cash in segregated accounts	344,744	
Certificates of deposit	290,000	(290,000)
Cash on hand	244,473	
GASB Statement No. 3 Investments		$1,000,000
Total Cash Equity Carrying Amount Per GASB Statement No. 3	$10,227,694	

NOTE 5 - INTERFUND TRANSACTIONS

A. Long-term interfund loans (outstanding for greater than one year) at December 31, 1999, consisted of the following individual fund receivables and payables:

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	$168,000	
Capital Projects Fund		(168,000)
Total Interfund Receivables/Payables	$168,000	$(168,000)

B. Interfund balances at December 31, 1999 which result from quasi-external transactions consist of the following individual fund receivables and payables:

NOTE 5 - INTERFUND TRANSACTIONS (Continued)

Funds	Due From Other Funds	Due To Other Funds
General Fund	$3,090	($2,250)
Special Revenue Funds	2,867	(3,498)
Capital Projects Funds		(337)
Enterprise Funds	128	
Total Due To/Due From Other Funds	$6,085	($6,085)

	Due From Component Units	Due To Primary Government
Special Revenue Funds	$545	
Component Units		(545)
Total	$545	($545)

C. The following is a summarized reconciliation of the County's operating transfers for 1999:

Fund	Transfers In	Transfers Out
General Fund		($256,849)
Special Revenue Funds	$123,598	(26,103)
Debt Service Funds	16,640	
Capital Project Funds	4,354	(16,640)
Enterprise Funds	155,000	
Totals	$299,592	($299,592)

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

NOTE 6 - PROPERTY TAXES (Continued)

The assessed value upon which the 1999 taxes were collected is $495,810,270. The full tax rate for all County operations (including component units) applied to real property for tax year ended December 31, 1999, was $13.90 per $1,000 of assessed valuation. The full tax rate for debt service was $1.40 per $1,000 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 15, 1999. If paid semi-annually, the first payment is due February 15, 1999 and the remainder payable by July 20, 1999. Under certain circumstances, state statute permits earlier or later payment dates to be established.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date. The first $10,000 of taxable value is exempt from taxation for each business by state law. The lien date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business must file a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

"Real and Other Taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for estimated uncollectibles) and real and public utility taxes which were measurable as of the year end.

Since the current levy is not intended to finance 1999 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2000 are shown as 1999 revenue; the remainder is shown as "Deferred Revenue".

The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

NOTE 7 - PERMISSIVE SALES AND USE TAX (Continued)

Proceeds of the sales and use tax are credited to the General Fund and the Motor Vehicle and Gas Tax Fund. Amounts which meet the available and measurable criteria as defined in Note 2B. are accrued as revenue. Total sales and use tax revenue for 1999 amounted to $2,295,337.

NOTE 8 - LOANS RECEIVABLE

The County maintains a revolving loan program for local businesses to encourage business development in the County. The loans receivable balance at December 31, 1999 was $945,604.

NOTE 9 - FIXED ASSETS

A. A summary of the proprietary fund property, plant, and equipment at December 31, 1999 is as follows:

Land	$352,180
Vehicles	608,886
Machinery and Equipment	29,524
Total Gross Assets	990,590
Less: Accumulated Depreciation	(359,818)
Total Net Assets	$630,772

B. A summary of changes in general fixed assets during 1999 follows:

	Balance at January 1, 1999	Additions	Deletions	Balance at December 31, 1999
Land	$478,709			$478,709
Buildings	18,587,815	$7,391		18,595,206
Furniture, Fixtures, Machinery and Equipment	1,718,391	98,456	($41,398)	1,775,449
Vehicles	2,342,718	133,273	(192,023)	2,283,968
Construction-in-progress	160,828	382,695		543,523
Total General Fixed Asset Account Group	$23,288,461	$621,815	($233,421)	$23,676,855

NOTE 9 - FIXED ASSETS (Continued)

C. A summary of changes in Component Unit fixed assets during 1999 follows:

	Balance at January 1, 1999	Additions	Deletions	Balance at December 31, 1999
Component Units	$3,046,169	$1,443,665	($1,438,650)	$3,051,184

NOTE 10 - VACATION AND SICK LEAVE LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the General Long-Term Obligations Account Group. Vacation and sick leave earned by proprietary funds type employees is expensed when earned.

Upon termination of County service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 90 days and all accumulated vacation. At December 31, 1999 vested sick leave benefits for all governmental fund type employees and all component unit employees totaled $731,763. For proprietary fund types, there was no liability for vested sick leave benefits to record. The total liability for all compensated absences (including vacation) for all governmental fund types, component units, proprietary fund types and General Long-Term Obligations Account Group is $1,087,523.

NOTE 11 - LONG-TERM DEBT

The County's long-term debt at year-end consisted of an OWDA loan, a courthouse improvement bond with general government commitment, special assessment bonds with general government commitment, a revenue bond (that represents a fund liability in enterprise funds), and compensated absences (all of which are recorded in the General Long-Term Obligations Account Group).

A. The following is a summary of the changes in the County's long-term obligations during 1999:

	Original Amount Issued	(Restated) Outstanding 12/31/98	Reductions	Outstanding 12/31/99
General Government:				
1996 - 5.25% General Obligation Bond	$4,000,000	$2,960,000	($360,000)	$2,600,000
1990 - 2% OWDA Loan	291,706	197,001	(10,969)	186,032
Compensated Absences		830,609	(28,447)	802,162
Total General Government	4,291,706	3,987,610	(399,416)	3,588,194

NOTE 11 - LONG-TERM DEBT (Continued)

	Original Amount Issued	(Restated) Outstanding 12/31/98	Reductions	Outstanding 12/31/99
Special Assessment Bonds with Governmental Commitment:				
1995 - 6.15% to 9.9% Bonds	345,000	260,000	(30,000)	230,000
1998 - 4.75%	211,925	211,925	(6,684)	205,241
Total Special Assessment Bonds	556,925	471,925	(36,684)	435,241
Revenue Bonds:				
1989 - 5% Hospital Additions	375,000	313,000	(9,000)	304,000
1992 - 5% Hospital Improvement	4,025,000	2,630,000	(134,000)	2,496,000
Total Revenue Bonds	4,400,000	2,943,000	(143,000)	2,800,000
Total General Long-Term Obligations Account Group	$9,248,631	$7,402,535	$(579,100)	$6,823,435

The revenue bonds are supported by the full faith and credit of the County; the OWDA loan and special assessment bonds are supported by special assessments and users fees, with a County commitment, and the courthouse improvement bond is supported by a tax levied on all taxable property in the County.

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

	OWDA Loans		Special Assessment Bonds		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2000	$11,188	$3,721	$41,889	$24,049	$380,000	$135,610	$150,000	$140,000
2001	11,412	3,498	32,217	21,552	400,000	116,230	158,000	132,500
2002	11,640	3,269	32,559	19,671	420,000	95,630	165,000	124,600
2003	11,873	3,036	27,918	17,762	445,000	74,000	174,000	116,350
2004	12,111	2,798	28,295	16,146	465,000	50,860	182,000	107,650
2005-2009	64,285	10,260	144,772	55,107	490,000	26,215	1,059,000	392,100
2010-2014	63,523	3,565	68,247	23,942			806,000	112,750
2015-2019			59,344	7,210			106,000	16,300
Totals	$186,032	$30,147	$435,241	$185,439	$2,600,000	$498,545	$2,800,000	$1,142,250

NOTE 11 - LONG-TERM DEBT (Continued)

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 effect of this debt limitation at December 31, 1999, was an unvoted debt margin of $2,001,407, and a total debt margin (voted and unvoted) of $7,938,561, both of which include available funds of $878,304.

NOTE 12 - NOTES PAYABLE

The County had the following bond anticipation notes outstanding at December 31, 1999:

	Issue Date	Balance 12/31/98	Issued	Retired	Balance 12/31/99
General Obligation Bond Anticipation Notes:					
Enterprise Fund					
County Facilities Improvements 4.45%	6/3/99		$550,000		$550,000
County Facilities Improvements 4.9%		$650,000		($650,000)	
Landfill Improvement 4.35%	4/2/99		685,000		685,000
Landfill Improvement 5.5%		720,000		(720,000)	
Total Enterprise Fund		1,370,000	1,235,000	(1,370,000)	1,235,000
Capital Projects					
Misamore Ditch 4.35%	4/1/99		125,000		125,000
Grelton Waterline Extension 4.35%	4/1/99		45,000		45,000
Total Capital Projects			170,000		170,000
Total General Obligation Bond Anticipation Notes		$1,370,000	$1,405,000	($1,370,000)	$1,405,000

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains four separate enterprise funds to account for the operations of a landfill, the Monroe Township landfill, the Hahn Center, and the County's radio tower. Segment information as of and for the year ended December 31, 1999 follows:

	Landfill	Monroe Township	Hahn Center	Tower Fund	Totals
Operating Revenue	$921,336	$5,604	$80,383	$9,721	$1,017,044
Operating Expenses Before Depreciation	1,021,791	5,147	42,056	6,223	1,075,217
Depreciation Expense	35,212				35,212
Operating Income/(Loss)	(135,667)	457	38,327	3,498	(93,385)
Transfers In	60,000		95,000		155,000
Net Income (Loss) before Operating Transfers	(124,618)	457	11,082	3,498	(109,581)
Property, Plant and Equipment Additions	54,000				54,000
Property, Plant and Equipment Deletions	(825)				(825)
Net Working Capital	(429,106)	457	(518,663)	86,069	(861,243)
Total Assets	1,928,420	457	48,565	86,069	2,063,511
Notes Payable	685,000		550,000		1,235,000
Total Equity (Deficit)	(128,799)	457	(518,663)	86,069	(560,936)
Encumbrances at December 31, 1999	69,150		2,553		71,703

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

All Henry County full-time employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1999 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The employer contribution rate was 13.55 percent of covered payroll; 9.35 percent was the portion used to fund pension obligations for 1999. The law enforcement employer rate was 16.7 percent of covered payroll and 12.5 percent was the portion used to fund pension obligations for 1999. The County's contributions for pension obligations to PERS for the years ended December 31, 1999, 1998, and 1997 were $925,874, $911,562, and $974,095 respectively; 79 percent has been contributed for 1999 and 100 percent for 1998 and 1997. $190,589, which represents the unpaid contribution for 1999, is recorded as a liability within the respective funds.

B. <u>STATE TEACHERS RETIREMENT SYSTEM</u>

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the County is required to contribute 14 percent; 4 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions for pension obligations to STRS for the years ended December 31, 1999, 1998, and 1997 were $87,792, $85,234 and $85,430, respectively; 100 percent has been contributed for each of the past three years.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. <u>PUBLIC EMPLOYEES RETIREMENT SYSTEM</u>

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for 1999. For law enforcement employees, the employer contribution rate was 16.7 percent of which 4.2 percent was used to fund health care.

NOTE 15 - POSTEMPLOYMENT BENEFITS (Continued)

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to postemployment benefits. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

Postemployment benefits are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

The number of eligible recipients at December 31, 1999 was 118,062. The County's actual contributions for 1999 which were used to fund postemployment benefits totaled $259,254 for employees other than law enforcement and $22,283 for law enforcement employees. The actual contribution and the actuarially required contribution amounts are the same. The PERS's net assets available for payment of benefits at December 31, 1999 were $9.87 billion.

B. STATE TEACHERS RETIREMENT SYSTEM

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

Benefits are funded on a pay-as-you-go basis. All benefit recipients are required to pay a portion of their health care cost in the form of a monthly premium. Under Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled $50,167 during 1999. Eligible benefit recipients totaled 95,796. For the year ended June 30, 1999, net health care costs paid by STRS were $249.929 million.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

The County's budgetary process is based upon accounting for transactions on the cash basis. The differences between the cash basis (budget basis) and the modified accrual basis (GAAP basis) are that revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP) and the expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Additionally, the County reflects outstanding encumbrances as expenditures on the budgetary basis of accounting. Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING (Continued)

EXCESS OF REVENUES AND OTHER FINANCING
SOURCES OVER (UNDER) EXPENDITURES
AND OTHER FINANCING USES

	Governmental Funds			
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	$221,113	($387,303)	$122,351	($477,348)
Net adjustment for revenue accruals	420,438	(361,957)	1,037	(23,004)
Net adjustment for expenditure accruals	(243,664)	321,939	(16,808)	120,193
Net adjustment for other financing sources/(uses) accruals	(32,573)	8,366	16,812	(186,640)
Encumbrances (budget basis)	71,680	242,063		13,652
GAAP Basis	$436,994	($176,892)	$123,392	($553,147)

NOTE 17 - CONTINGENT LIABILITIES

A. GRANTS

The County receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 1999.

B. LITIGATION

The County is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations. The County's management and legal counsel is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect on the financial condition of the County.

NOTE 18 - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of $1,295,965 as of December 31, 1999, which is based on 51% usage (filled) of the landfill. It is estimated that an additional $1,237,765 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2012). The estimated total current cost of $2,533,730 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, 1999. 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, 1999, cash and cash equivalents in the amount of $965,500 are held for these purposes. These investments are held and managed by the County and are presented on the County's balance sheet as "Restricted Assets: Equity with County Treasurer”. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

NOTE 19 - PUBLIC ENTITY RISK POOLS

A. County Risk Sharing Authority, Inc.

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.

NOTE 19 - PUBLIC ENTITY RISK POOLS (Continued)

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 1999 was $119,215.

B. Defiance-Fulton-Henry Counties Council Employee Insurance Benefits Program

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

Each member pays a monthly premium amount, which is established annually by the Board, to Reliance Financial Services (Reliance). Reliance is the fiscal agent for the Council and has a trust agreement with the Council to account for all Council finances and assets. The Program is governed by a Board consisting of one representative from each member County's Board of Commissioners. The degree of control exercised by any participating member is limited to its representation on the Board. Upon withdrawal from the Program, a program agreement shall govern the disposition of any contributions by the withdrawing member to each program of the Council in excess of that member's share of the costs of that program. In fiscal year 1999, Henry County contributed a total of $931,591 for this plan.

NOTE 20 - CONDUIT DEBT OBLIGATIONS

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

At December 31, 1999, health care facility revenue bonds outstanding aggregated $3,370,000.

NOTE 21 - OPERATING LEASE

The County leases a building under a noncancellable operating lease to Henry County Hospital, Incorporated. The hospital building is included in the General Fixed Asset Account of the County as a $8,911,353 building asset. The County has obtained bonded debt for hospital improvements. The Henry County Hospital, Incorporated must make lease payments until the bonds are paid off in 2019. Any interest earned on the lease payments are used to pay the bonds and thus reduces the amount of the lease payments required by the Henry County Hospital, Incorporated.

NOTE 21 - OPERATING LEASE (Continued)

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

Year Ending December 31	
2000	$290,000
2001	290,500
2002	289,600
2003	290,350
Later years	2,781,750
Total minimum future lease payments	$3,942,200

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HENRY COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Agriculture:				
Child Nutrition Cluster:				
School Breakfast Program	-	10.553	$443	
National School Lunch Program	065946-03-PU-00	10.555	3,911	
Total Child Nutrition Cluster			4,354	
Food Distribution	-	10.550		$13,846
Total U.S. Department of Agriculture			4,354	13,846
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education - Grants to States (Title VI-B)	066365-6B-SF-99P	84.027	22,856	
	066365-6B-SF-00P		21,406	
Total Special Education - Grants to States			44,262	
Special Education - Preschool Grant (Title 1)	066365-PG-S1-99P	84.173	26,991	
	066365-PG-S1-00P		14,340	
Total Special Education - Preschool Grant			41,331	
Total U.S. Department of Education - Special Education Cluster			85,593	
U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT DISASTER ASSISTANCE				
Passed Through Ohio Department of Emergency Management Disaster Assistance:				
Emergency Management - State and Local Assistance	EMC-99-PA-1333	83.534	13,295	
	EMC-00-PA-1333		6,608	
Total U.S. Department of Federal Emergency Management Disaster Assistance			19,903	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through The Area Office of Aging:				
Special Programs for the Aging -Title III Part B- Grants for Supportive Services and Senior Centers	-	93.044	48,940	
Special Programs for the Aging -Title III Part F- Disease	-	93.043	8,275	
Total Area Office of Aging			57,215	

(Continued)

HENRY COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
Passed Through Ohio Department of Health:				
Social Services Block Grant (Title XX)	-	93.667	35,512	
Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:				
Medical Assistance Program (Medicaid: Title XIX)	-	93.778	200,647	
Total U.S. Department of Health and Human Services			293,374	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Home Investment Partnerships Program (Chip)	B-C-98-032-2	14.239	187,088	
Passed Through Ohio Department of Development:				
Community Development Block Grant	B-F-96-032-1	14.228	1,011	
(Formula Grant)	B-F-97-032-1		23,123	
	B-F-98-032-1		93,089	
Total CDBG (Formula Grant)			117,223	
Community Development Block Grant (Microenterprise Business Development Program)	B-M-97-032-1	14.228	48,450	
Community Development Block Grant (Chip)	B-C-98-032-1	14.228	69,098	
Total Passed Through Ohio Department of Development			234,771	
Total U.S. Department of Housing and Urban Development			421,859	
U.S. DEPARTMENT OF JUSTICE *Passed Through the Office of Criminal Justice Services:*				
Batterers Intervention Grant	98-DG-F02-7038	16.579	29,884	
Domestic Violence Victims	98-DG-D02-7034	16.579	25,039	
Supervised Visitation	99-DG-D02-7003	16.579	11,486	
Sexual Abuse Victim Treatment	97-WF-VAI-8122	16.579	20,643	
Total U.S. Department of Justice			87,052	
TOTAL			**$912,135**	**$13,846**

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

HENRY COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 1999

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

The County passes-through certain Federal assistance received from the Office of Criminal Justice Services to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid to cash.

The subrecipients agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE C - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At December 31, 1999, the County had no significant food commodities in inventory.

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

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 1999, the gross amount of loans outstanding under this program were $945,604.

NOTE E - MATCHING REQUIREMENTS

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

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Henry County
660 North Perry Street
Napoleon, Ohio 43545-1747

To the Board of Commissioners:

We have audited the financial statements of Henry County (the County) as of and for the year ended December 31, 1999, and have issued our report thereon dated July 20, 2000, which report noted restatement of the special assessment debt with government commitment in the General Long Term Obligations Account Group. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-60135-001. We also noted certain immaterial instances of noncompliance that we have reported to management of Henry County in a separate letter dated July 20, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated July 20, 2000.

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

Jim Petro
Auditor of State

July 20, 2000

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Henry County
660 North Perry Street
Napoleon, Ohio 43545-1747

To the Board of Commissioners:

Compliance

We have audited the compliance of Henry County (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of County's management. Our responsibility is to express an opinion on County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the County in a separate letter dated July 20, 2000.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Jim Petro
Auditor of State

July 20, 2000

HENRY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under §.510?**	No
(d)(1)(vii)	**Major Programs (list):**	Community Development Block Grant Program - CFDA #14.228
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

Finding Number 1999-60135-001

Noncompliance

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Otherwise, the contract shall be null and void.

Finding Number 1999-60135-001
(Continued)

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

A. If no certificate is furnished as required, upon receipt of the County Auditor's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the County may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certification, if such expenditure is otherwise valid.

B. If the amount involved in less than one hundred dollars the County Auditor may authorize it to be paid without the affirmation of the County.

The County Auditor did not make the proper certification of funds for thirty-two percent of the expenditures tested during 1999. We recommend that the County Auditor certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by County officials. The certification can also be made through the use of "blanket" or "then and now" certificates.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

HENRY COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 1999

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; **Explain:**
1999-60135-001	Ohio Revised Code § 5705.41(D) improper fiscal officer certification of certain expenditures.	No	Not Corrected. The County Auditor has begun using "Now and Then" certificates.

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HENRY COUNTY FINANCIAL CONDITION

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 3, 2000