

***HENRY COUNTY***

***GENERAL PURPOSE  
FINANCIAL STATEMENTS  
(Audited)***

***FOR THE YEAR ENDED  
DECEMBER 31, 2001***

**IDA BOSTLEMAN, AUDITOR**





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P. O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
Columbus, Ohio 43215

Telephone 614-466-4514  
800-282-0370

Facsimile 614-728-7398  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

We have reviewed the Independent Auditor's Report of Henry County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

July 1, 2002

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# HENRY COUNTY

## TABLE OF CONTENTS

Independent Auditor's Report .....	1
Combined Balance Sheet - All Fund Types, Account Groups, and Discretely Presented Component Units .....	2 - 3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Discretely Presented Component Units .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types .....	5
Combined Statement of Revenues, Expenses, and Changes in Accumulated Deficit - Proprietary Fund Type .....	6
Combined Statement of Cash Flows - Proprietary Fund Type .....	7
Notes to the General Purpose Financial Statements .....	8 - 46
Schedule of Expenditures of Federal Awards .....	47 - 48
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	49 - 50
Report on Compliance With Requirements Applicable To Its Major Federal Program and Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i> .....	51 - 52
Schedule of Findings <i>OMB Circular A-133 § .505</i> .....	53 - 55
Status of Prior Audit Findings <i>OMB Circular A-133 § .315 (b)</i> .....	56

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# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

1445 WORTHINGTON WOODS BOULEVARD  
SUITE B  
WORTHINGTON, OHIO 43085

TELEPHONE 614.846.1899  
FACSIMILE 614.846.2799

## Independent Auditor’s Report

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

We have audited the accompanying general purpose financial statements of Henry County, Ohio, (the “County”), as of and for the year ended December 31, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 3 to the general purpose financial statements, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33.

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, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Commissioners  
Henry County Auditor

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 expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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.

The accompanying schedule of federal awards expenditures replaces the schedule in the County's initial report for the year ended December 31, 2001. The schedule was revised to include the Workforce Investment Act (WIA) Cluster Program, which was inadvertently omitted from the schedule initially reported on June 17, 2002.

Trimble, Julian & Grube, Inc.  
June 17, 2002, except for the last paragraph which is dated January 22, 2003

**HENRY COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS  
 DECEMBER 31, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Total Primary Government (Memorandum Only)	Total Reporting Entity (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General		Long-Term Obligations	Component Unit			
							Fixed Assets						
<b>ASSETS AND OTHER DEBITS</b>													
<b>ASSETS:</b>													
Equity in pooled cash and cash equivalents . . . . .	\$1,732,524	\$5,759,679	\$1,042,471	\$422,498	\$236,724	\$3,320,538	\$	\$	-	-	\$12,514,434	\$833,282	\$13,347,716
Investments . . . . .	100,000	-	290,000	-	-	-	-	-	-	-	390,000	-	390,000
Cash in segregated accounts . . . . .	-	324	-	-	-	174,801	-	-	-	-	175,125	22,996	198,121
Receivables (net of allowances for uncollectibles):													
Taxes . . . . .	2,610,426	1,028,221	618,604	-	-	-	-	-	-	-	4,257,251	1,942,195	6,199,446
Accounts . . . . .	2,443	29,775	-	-	1,555	-	-	-	-	-	33,773	24,552	58,325
Accrued interest . . . . .	67,576	1,605	4,443	-	1,976	-	-	-	-	-	75,600	-	75,600
Loans . . . . .	-	1,096,549	-	-	-	-	-	-	-	-	1,096,549	-	1,096,549
Special assessments . . . . .	-	-	192,080	491,188	-	-	-	-	-	-	683,268	-	683,268
Advances to other funds . . . . .	168,000	-	-	-	-	-	-	-	-	-	168,000	-	168,000
Due from other governments . . . . .	491,836	1,287,449	32,233	-	90,000	-	-	-	-	-	1,901,518	653,389	2,554,907
Prepayments . . . . .	6,278	29,468	-	5	-	-	-	-	-	-	35,751	2,177	37,928
Materials and supplies inventory . . . . .	28,444	98,758	-	-	144	-	-	-	-	-	127,346	9,225	136,571
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .	-	-	-	-	759,641	-	24,175,109	-	-	-	24,934,750	3,528,050	28,462,800
<b>RESTRICTED ASSETS:</b>													
Equity in pooled cash & cash equivalents . . . . .	-	-	-	-	1,040,604	-	-	-	-	-	1,040,604	-	1,040,604
<b>OTHER DEBITS:</b>													
Amount available in debt service fund for retirement of general obligation debt . . . . .	-	-	-	-	-	-	-	-	1,231,735	-	1,231,735	-	1,231,735
Amount available in debt service fund for retirement of special assessment debt . . . . .	-	-	-	-	-	-	-	-	81,611	-	81,611	-	81,611
Amount to be provided from special assessments . . . . .	-	-	-	-	-	-	-	-	279,524	-	279,524	-	279,524
Amount to be provided from general government resources . . . . .	-	-	-	-	-	-	-	-	4,107,541	-	4,107,541	-	4,107,541
Amount to be provided from component unit resources . . . . .	-	-	-	-	-	-	-	-	-	305,430	-	-	305,430
<b>Total assets and other debits . . . . .</b>	<b>\$5,207,527</b>	<b>\$9,331,828</b>	<b>\$2,179,831</b>	<b>\$913,691</b>	<b>\$2,130,644</b>	<b>\$3,495,339</b>	<b>\$24,175,109</b>	<b>\$5,700,411</b>	<b>\$7,321,296</b>	<b>\$60,455,676</b>			

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HENRY COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS  
 DECEMBER 31, 2001

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
	General	Special Revenue	Debt Service			Capital Projects	Enterprise			
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>										
LIABILITIES:										
Accounts payable . . . . .	\$69,239	\$317,569	\$16,000	\$3,455	\$	\$		\$459,027	\$333,859	\$792,886
Accrued wages and benefits . . . . .	118,313	144,822	-	-	-	-		269,335	119,192	388,527
Compensated absences payable . . . . .	6,318	7,621	-	-	-	-	863,844	886,968	305,666	1,192,634
Pension obligation payable . . . . .	78,644	131,501	-	5,389	-	-	-	215,534	88,743	304,277
Advances from other funds . . . . .	-	-	-	168,000	-	-	-	168,000	-	168,000
Deferred revenue . . . . .	2,569,233	1,865,719	844,036	491,188	-	-	-	5,860,176	2,153,401	8,013,577
Due to other governments . . . . .	3,648	330	-	-	3,279,594	-	-	3,283,572	1,222	3,284,794
Amount to be repaid to claimants . . . . .	-	-	-	-	20,905	-	-	20,905	-	20,905
Deposits held and due to others . . . . .	-	-	-	-	184,627	-	-	184,627	22,996	207,623
Accrued interest payable . . . . .	-	2,857	-	43,063	-	-	-	45,920	-	45,920
Estimated liability for landfill closure costs . . . . .	-	-	-	-	-	-	-	1,618,594	-	1,618,594
Revenue bonds payable . . . . .	-	-	-	1,618,594	-	-	2,492,000	2,492,000	-	2,492,000
Notes payable . . . . .	-	100,000	-	70,000	-	-	-	1,135,000	-	1,135,000
General obligation bonds payable . . . . .	-	-	-	-	-	-	1,820,000	1,820,000	-	1,820,000
Special assessment debt with government commitment . . . . .	-	-	-	-	-	-	361,135	361,135	-	361,135
OWDA loan payable . . . . .	-	-	6,449	-	-	-	163,432	169,881	-	169,881
<b>Total liabilities . . . . .</b>	<b>2,845,395</b>	<b>2,570,419</b>	<b>866,485</b>	<b>732,643</b>	<b>2,790,195</b>	<b>3,485,126</b>	<b>5,700,411</b>	<b>18,990,674</b>	<b>3,025,079</b>	<b>22,015,753</b>
<b>EQUITY AND OTHER CREDITS:</b>										
Investment in general fixed assets . . . . .	-	-	-	-	-	24,175,109	-	24,175,109	3,528,050	27,703,159
Accumulated Deficit . . . . .	-	-	-	-	(659,551)	-	-	(659,551)	-	(659,551)
Fund balances:										
Reserved for encumbrances . . . . .	23,171	77,780	-	-	-	-	-	100,951	3,100	104,051
Reserved for materials and supplies inventory . . . . .	28,444	98,758	-	-	-	-	-	127,202	9,225	136,427
Reserved for loans . . . . .	-	1,096,549	-	-	-	-	-	1,096,549	-	1,096,549
Reserved for prepayments . . . . .	6,278	29,468	-	5	-	-	-	35,751	2,177	37,928
Reserved for advances . . . . .	168,000	-	-	-	-	-	-	168,000	-	168,000
Reserved for debt service . . . . .	-	-	1,313,346	-	-	-	-	1,313,346	-	1,313,346
Unreserved-undesignated . . . . .	2,136,239	5,458,854	-	181,043	-	10,213	-	7,786,349	753,665	8,540,014
<b>Total equity and other credits . . . . .</b>	<b>2,362,132</b>	<b>6,761,409</b>	<b>1,313,346</b>	<b>181,048</b>	<b>(659,551)</b>	<b>10,213</b>	<b>24,175,109</b>	<b>34,143,706</b>	<b>4,296,217</b>	<b>38,439,923</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$5,207,527</b>	<b>\$9,331,828</b>	<b>\$2,179,831</b>	<b>\$913,691</b>	<b>\$2,130,644</b>	<b>\$3,495,339</b>	<b>\$24,175,109</b>	<b>\$53,134,380</b>	<b>\$7,321,296</b>	<b>\$60,455,676</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HENRY COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types				Fiduciary	Total	Component
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Primary Government (Memorandum Only)	
<b>Revenues:</b>							
Property and other taxes . . . . .	\$1,855,988	\$1,273,254	\$691,535	\$ -	\$ -	\$3,820,777	\$2,565,701
Sales taxes . . . . .	2,018,362	334,918	-	-	-	2,353,280	-
Charges for services . . . . .	868,344	1,181,484	14,797	17,846	-	2,082,471	892,348
Licenses and permits . . . . .	3,059	91,974	-	-	-	95,033	-
Fines and forfeitures . . . . .	75,944	248,538	-	-	-	324,482	-
Special assessments . . . . .	-	-	41,260	324,568	-	365,828	-
Intergovernmental . . . . .	1,150,481	7,603,620	63,726	138,550	-	8,956,377	2,339,270
Investment income . . . . .	697,906	41,621	27,413	-	-	766,940	-
Rental income . . . . .	-	3,000	-	-	-	3,000	3,862
Other . . . . .	260,913	1,028,999	295,109	13,926	-	1,598,947	911,824
<b>Total revenues . . . . .</b>	<b>6,930,997</b>	<b>11,807,408</b>	<b>1,133,840</b>	<b>494,890</b>	<b>-</b>	<b>20,367,135</b>	<b>6,713,005</b>
<b>Expenditures:</b>							
<b>Current:</b>							
<b>General government:</b>							
Legislative and executive . . . . .	1,279,112	334,568	-	-	-	1,613,680	-
Judicial . . . . .	817,038	137,590	-	-	-	954,628	-
Public safety . . . . .	1,646,029	293,669	-	-	-	1,939,698	-
Public works . . . . .	277,950	2,606,341	-	-	-	2,884,291	-
Health . . . . .	19,265	1,440,889	-	-	-	1,460,154	179,133
Human services . . . . .	746,764	4,066,219	-	-	-	4,812,983	5,892,454
Economic development and assistance . . . . .	2,609	310,247	-	-	-	312,856	-
Other . . . . .	1,435,753	22,258	36,791	122	-	1,494,924	-
Capital outlay . . . . .	208,964	1,170,269	-	670,012	-	2,049,245	67,406
<b>Debt service:</b>							
Principal retirement . . . . .	-	-	601,629	-	-	601,629	-
Interest and fiscal charges . . . . .	-	2,857	272,774	9,527	-	285,158	-
<b>Total expenditures . . . . .</b>	<b>6,433,484</b>	<b>10,384,907</b>	<b>911,194</b>	<b>679,661</b>	<b>-</b>	<b>18,409,246</b>	<b>6,138,993</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	497,513	1,422,501	222,646	(184,771)	-	1,957,889	574,012
<b>Other financing sources (uses):</b>							
Operating transfers in . . . . .	-	86,668	16,639	352,936	-	456,243	-
Operating transfers out . . . . .	(241,668)	-	-	(16,639)	-	(258,307)	(352,936)
<b>Total other financing sources (uses) . . . . .</b>	<b>(241,668)</b>	<b>86,668</b>	<b>16,639</b>	<b>336,297</b>	<b>-</b>	<b>197,936</b>	<b>(352,936)</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	255,845	1,509,169	239,285	151,526	-	2,155,825	221,076
Fund balance at January 1 (restated) . . . . .	2,106,104	5,259,307	1,074,061	29,522	10,213	8,479,207	548,124
Increase (decrease) in reserve for inventory . . . . .	183	(7,067)	-	-	-	(6,884)	(1,033)
<b>Fund balance at December 31 . . . . .</b>	<b>\$2,362,132</b>	<b>\$6,761,409</b>	<b>\$1,313,346</b>	<b>\$181,048</b>	<b>\$10,213</b>	<b>\$10,628,148</b>	<b>\$768,167</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HENRY COUNTY, OHIO**  
**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, 2001**

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>															
Property and other taxes	\$1,861,913	\$1,861,913	\$ -	\$1,273,254	\$1,273,254	\$ -	\$691,535	\$691,535	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,990,748	1,990,748	-	334,918	334,918	-	14,797	14,797	-	17,846	17,846	-	2,325,666	2,325,666	200
Charges for services	870,952	870,952	-	1,172,069	1,172,069	200	-	-	-	-	-	-	95,033	95,033	-
Licenses and permits	3,059	3,059	-	91,974	91,974	-	-	-	-	-	-	-	330,937	330,937	1
Fines and forfeitures	82,066	82,066	-	248,872	248,872	1	-	-	-	-	-	-	7,806,399	8,705,069	898,670
Intergovernmental	995,544	995,544	-	6,608,579	7,507,249	898,670	63,726	63,726	-	138,550	138,550	-	365,826	365,826	2
Special assessments	-	-	-	-	-	-	41,258	41,240	2	324,568	324,568	-	768,986	768,986	-
Investment income	696,791	696,791	-	45,244	45,244	-	26,951	26,951	-	-	-	-	0	0	3,000
Rental income	-	-	-	3,000	3,000	3,000	-	-	-	-	-	-	-	-	-
Other	1,358	1,358	-	1,285,995	1,285,995	31,046	295,109	295,109	-	13,926	13,926	-	1,565,342	1,596,388	31,046
<b>Total revenues</b>	<b>6,502,431</b>	<b>6,502,431</b>	<b>-</b>	<b>11,029,658</b>	<b>11,962,575</b>	<b>932,917</b>	<b>1,133,376</b>	<b>1,133,378</b>	<b>2</b>	<b>494,890</b>	<b>494,890</b>	<b>-</b>	<b>19,160,355</b>	<b>20,093,274</b>	<b>932,919</b>
<b>Expenditures:</b>															
<b>Current:</b>															
General government:															
Legislative and executive	1,360,313	1,246,348	113,965	583,762	374,176	209,586	-	-	-	-	-	-	1,944,075	1,620,524	323,551
Judicial	933,979	836,717	97,262	141,466	136,459	5,007	-	-	-	-	-	-	1,075,445	973,176	102,269
Public safety	1,931,130	1,713,209	217,921	415,174	296,595	118,579	-	-	-	-	-	-	2,346,304	2,009,804	336,500
Public works	373,127	313,672	59,455	3,102,559	2,735,340	367,219	-	-	-	-	-	-	3,475,686	3,049,012	426,674
Health	47,119	19,647	27,472	1,480,737	1,394,737	86,000	-	-	-	-	-	-	1,477,856	1,414,384	63,472
Human services	819,837	745,953	73,884	4,556,790	4,146,927	409,863	-	-	-	-	-	-	5,376,627	4,892,202	484,425
Economic development and assistance	-	-	-	728,435	551,320	177,115	-	-	-	-	-	-	728,435	551,320	177,115
Other	1,739,614	1,420,419	319,195	31,200	22,258	8,942	20,754	20,659	95	81	81	50	1,791,699	1,463,417	328,282
Capital outlay	-	-	-	1,172,778	1,170,569	2,209	-	-	-	-	-	-	865,574	2,038,352	201,531
Debt service:															
Principal retirement	-	-	-	-	-	-	445,958	587,963	(142,005)	460,741	446,717	14,024	906,699	1,034,680	(127,981)
Interest and fiscal charges	-	-	-	-	-	-	138,361	263,352	(124,991)	23,634	22,825	809	161,995	286,177	(124,182)
<b>Total expenditures</b>	<b>7,205,119</b>	<b>6,296,005</b>	<b>909,114</b>	<b>12,162,901</b>	<b>10,828,081</b>	<b>1,334,820</b>	<b>605,073</b>	<b>871,974</b>	<b>(266,901)</b>	<b>1,350,080</b>	<b>1,136,175</b>	<b>213,905</b>	<b>21,323,173</b>	<b>19,132,235</b>	<b>2,190,938</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(702,688)</b>	<b>206,426</b>	<b>909,114</b>	<b>(1,133,243)</b>	<b>1,134,494</b>	<b>2,267,737</b>	<b>528,303</b>	<b>261,404</b>	<b>(266,899)</b>	<b>(855,190)</b>	<b>(641,285)</b>	<b>213,905</b>	<b>(2,162,818)</b>	<b>961,039</b>	<b>3,123,857</b>
<b>Other financing sources (uses):</b>															
Proceeds of notes	-	-	-	100,000	100,000	-	-	-	-	-	-	-	414,500	514,500	-
Operating transfers in	-	-	-	86,668	86,668	-	-	-	-	414,500	414,500	-	439,604	439,604	-
Operating transfers out	-	(241,668)	(241,668)	-	-	-	-	-	-	352,936	352,936	-	(241,668)	(241,668)	(241,668)
Other financing sources	262,280	262,280	-	-	-	-	-	-	-	-	-	-	262,280	262,280	-
Other financing uses	(367,175)	(345,287)	21,888	-	-	-	-	(132)	(132)	-	(41)	(41)	(367,175)	(345,460)	21,715
<b>Total other financing sources (uses)</b>	<b>(104,895)</b>	<b>(324,675)</b>	<b>(219,780)</b>	<b>186,668</b>	<b>186,668</b>	<b>-</b>	<b>-</b>	<b>(132)</b>	<b>(132)</b>	<b>767,436</b>	<b>767,395</b>	<b>(41)</b>	<b>849,209</b>	<b>629,256</b>	<b>(219,953)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)</b>	<b>(807,583)</b>	<b>(118,249)</b>	<b>689,334</b>	<b>(946,575)</b>	<b>1,321,162</b>	<b>2,267,737</b>	<b>528,303</b>	<b>261,272</b>	<b>(267,031)</b>	<b>(87,754)</b>	<b>126,110</b>	<b>213,864</b>	<b>(1,313,609)</b>	<b>1,590,295</b>	<b>2,903,904</b>
<b>Fund balance, January 1 (restated)</b>	<b>1,625,604</b>	<b>1,626,604</b>	<b>-</b>	<b>3,893,819</b>	<b>3,893,819</b>	<b>-</b>	<b>1,071,199</b>	<b>1,071,199</b>	<b>-</b>	<b>255,309</b>	<b>255,309</b>	<b>-</b>	<b>6,846,931</b>	<b>6,846,931</b>	<b>-</b>
<b>Prior year encumbrances appropriated</b>	<b>135,267</b>	<b>135,267</b>	<b>-</b>	<b>313,199</b>	<b>313,199</b>	<b>-</b>	<b>41,079</b>	<b>41,079</b>	<b>-</b>	<b>41,079</b>	<b>41,079</b>	<b>-</b>	<b>489,545</b>	<b>489,545</b>	<b>-</b>
<b>Fund balance, December 31</b>	<b>\$954,288</b>	<b>\$1,643,622</b>	<b>\$689,334</b>	<b>\$3,560,443</b>	<b>\$5,528,180</b>	<b>\$2,267,737</b>	<b>\$1,599,502</b>	<b>\$1,332,471</b>	<b>(\$267,031)</b>	<b>\$208,634</b>	<b>\$422,498</b>	<b>\$213,864</b>	<b>\$6,022,867</b>	<b>\$8,926,771</b>	<b>\$2,903,904</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HENRY COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN ACCUMULATED DEFICIT**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Charges for services . . . . .	\$905,705
Other operating revenues . . . . .	<u>265,538</u>
Total operating revenues . . . . .	<u>1,171,243</u>
Operating expenses:	
Personal services . . . . .	173,621
Contract services . . . . .	490,213
Materials and supplies . . . . .	418,863
Depreciation . . . . .	48,827
Other . . . . .	114,625
Landfill closure and post-closure costs. . . . .	<u>145,409</u>
Total operating expenses . . . . .	<u>1,391,558</u>
Operating loss . . . . .	<u>(220,315)</u>
Nonoperating revenues (expenses):	
Interest expense and fiscal charges. . . . .	(60,943)
Investment earnings . . . . .	44,864
Intergovernmental revenue . . . . .	<u>90,000</u>
Total nonoperating revenues (expenses) . . . . .	<u>73,921</u>
Net loss before operating transfers . . . . .	(146,394)
Operating transfers in. . . . .	<u>155,000</u>
Net income. . . . .	8,606
Accumulated deficit at January 1 . . . . .	<u>(668,157)</u>
Accumulated deficit at December 31 . . . . .	<u><u>(\$659,551)</u></u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HENRY COUNTY, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from customers . . . . .	\$906,998
Cash received from other operations . . . . .	264,710
Cash payments for personal services . . . . .	(170,440)
Cash payments for contract services . . . . .	(554,308)
Cash payments for materials and supplies . . . . .	(419,167)
Cash payments for other expenses . . . . .	<u>(115,073)</u>
Net cash used in operating activities . . . . .	<u>(87,280)</u>
Cash flows from noncapital financing activities:	
Cash received from operating grants . . . . .	90,000
Transfers in from other funds . . . . .	<u>155,000</u>
Net cash provided by noncapital financing activities . . . . .	<u>245,000</u>
Cash flows from capital and related financing activities:	
Proceeds from issuance of debt . . . . .	965,000
Principal retirement . . . . .	(1,100,000)
Interest paid . . . . .	(56,744)
Acquisition of capital assets . . . . .	<u>(220,524)</u>
Net cash used in capital and related financing activities . . . . .	<u>(412,268)</u>
Cash flows from investing activities:	
Interest received . . . . .	<u>48,996</u>
Net cash provided by investing activities . . . . .	<u>48,996</u>
Net decrease in cash and cash equivalents . . . . .	(205,552)
Cash and cash equivalents at January 1 . . . . .	1,482,880
Cash and cash equivalents at December 31 . . . . .	<u><u>\$1,277,328</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss . . . . .	(\$220,315)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation . . . . .	48,827
Changes in assets and liabilities:	
Increase in materials and supplies inventory . . . . .	(144)
Increase in accounts receivable . . . . .	(262)
Decrease in prepayments . . . . .	66
Decrease in due from other funds . . . . .	727
Decrease in accounts payable . . . . .	(60,066)
Decrease in due from other governments . . . . .	(90,448)
Increase in pension obligation payable . . . . .	1,987
Decrease in accrued wages and benefits . . . . .	(1,267)
Increase in compensated absences payable . . . . .	2,461
Decrease in due to other governments . . . . .	(4,255)
Increase in deferred revenue . . . . .	90,000
Increase in estimated liability for landfill closure . . . . .	<u>145,409</u>
Net cash used in operating activities . . . . .	<u><u>(\$87,280)</u></u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



## **HENRY COUNTY, OHIO**

### **NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001**

#### **NOTE 1 - DESCRIPTION OF THE COUNTY**

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

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements (GPFS) of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County, applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the County’s accounting policies are described below.

##### **A. Reporting Entity**

The County's reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity”. The GPFS include all funds, account groups, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's GPFS 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.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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 GPFS as follows:

#### ***DISCRETELY PRESENTED COMPONENT UNITS***

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

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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 2001, the County paid administrative fees of \$2,038 and per capita charges of \$74,765 to MVPO.

*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 2001 were \$1,146,165. Henry County acts as the fiscal agent for the Council.

#### ***JOINT VENTURES - WITHOUT EQUITY INTEREST***

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

The Corrections Commission is governed by a Commission Team made up of 18 members. These members consist of one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. Sources of revenue include operating costs and capital costs contributed by Members and rental revenue. The County does not have an explicit, measurable right to the net resources of the Commission. Total expenditures made by the County to the Corrections Commission in 2001 were \$687,847. Complete financial statements for the Corrections Commission can be obtained from the Corrections Commission's administrative office on County Road 24 in Stryker, Ohio.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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 State Routes 34 and 66, Archbold, Ohio.

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, 2001, the County remitted \$961,383 to Quadco to supplement its operations.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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 2001 were \$166,172. 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.

#### **B. 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:

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

##### GOVERNMENTAL FUNDS:

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the County's governmental fund types:

*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:

Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. The following is the County's proprietary fund type:

*Enterprise Funds* - The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

##### FIDUCIARY FUNDS:

Fiduciary 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. The following are the County's fiduciary fund types:

*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).

##### ACCOUNT GROUPS:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Asset 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.

*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.

#### C. Basis of Accounting and Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally 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.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

#### **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.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental, expendable trust and component unit funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Agency funds are presented on a budgetary basis, with note disclosure, regarding items which, in another fund type, would be subject to accrual. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the reporting of expenses and expenditures.

#### ***Revenues - Exchange and Non-exchange Transactions***

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

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



## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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

##### *Deferred Revenue*

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

##### *Expenses/Expenditures*

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

#### **D. Budgetary Process**

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.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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 2001.
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.

#### **E. 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 budgetary basis of accounting.

**HENRY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

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

**F. 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" (both unrestricted and restricted) and "Investments" on the combined balance sheet.

During fiscal year 2001, investments were limited to repurchase agreements, nonnegotiable certificates of deposit, and internal Henry County notes.

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 following fund was credited with more interest revenue than would have been received based upon its share of the County's cash fund balance during 2001:

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Cash Fund Balance</u>	<u>Interest Assigned from Other Funds</u>
General	<u>\$ 697,906</u>	<u>\$ 102,895</u>	<u>\$ 595,011</u>

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.

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

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

##### **G. Restricted Assets**

Restricted assets in the enterprise fund types represent investments required to be set aside by state and federal laws and regulations to finance closure and postclosure care costs of the County's landfill.

##### **H. 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 2001, the County incurred expenditures of \$1,241 in providing these services, and recognized revenues of \$943 for premiums received from these former employees.

##### **I. 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.

##### **J. 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.

**HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001

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

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:

<u>Description</u>	<u>Estimated Life (in years)</u>
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.

**K. 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. Sick leave benefits are accrued using the "Vesting" method.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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).

#### **L. Long-Term Obligations**

Long-term obligations for general obligation bonds, special assessment bonds, revenue bonds, Ohio Water Development Authority (OWDA) loans, vested sick and vacation leave, 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.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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.

The County reports amounts representing encumbrances, material and supplies inventories, loans receivable, prepayments, long-term interfund obligations (advances), available debt service equity and as reservations of fund balance in the governmental funds.

#### **O. Prepayments**

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 year-end, because prepayments are not available to finance future governmental fund expenditures the fund balance is reserved by an amount equal to the carrying value of the asset.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

##### P. Estimates

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

##### Q. Total Columns on General Purpose Financial Statements

Total Columns on the GPFS 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 units (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. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues", an amendment of GASB Statement No. 33, were implemented during fiscal 2001. These statements pertain to the financial reporting of certain types of revenue received by the County for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions and voluntary nonexchange transactions. The adoption of these statements had the following effect on fund balances as previously reported by the County at December 31, 2000:



**HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

	General	Special Revenue
Fund balances as previously reported	\$2,076,382	\$4,926,154
GASB No. 33 and No. 36 implementation	29,722	333,153
Restated fund balances as of January 1, 2001	\$2,106,104	\$5,259,307

**B. Prior Period Adjustment**

The County has presented a restatement of the capital projects funds December 31, 2000 unencumbered balance as presented on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) All Governmental Fund Types to reflect the correction for unrecorded encumbrances at December 31, 2000. The effect of the restatement is as follows:

	Capital Projects
Fund balance as previously reported	\$296,388
Adjustment to report encumbrances	(41,079)
Restated fund balance as of January 1, 2001	\$255,309

**C. Deficit Retained Earnings/Fund Balances**

Retained earnings/fund balances at December 31, 2001 included the following individual fund deficits:

	Deficit Fund Balance/ Retained Earnings
<u>Special Revenue Funds:</u>	
DARE	\$ 2,512
Certificate of Title Building	100,348
 <u>Capital Projects Funds:</u>	
Grelton Waterline Extension	76,516
Misamore Petition Ditch	137,041
 <u>Enterprise Funds:</u>	
Hahn Center	334,077
Landfill Closure and Post Closure	442,309

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

These funds complied with Ohio state law which does not permit a cash basis deficit at year-end. 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.

#### D. Legal Compliance

The following funds had expenditures in excess of appropriations contrary to Section 5705.41(B), Ohio Revised Code:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Debt Service Funds</u>	
Hospital Basic Rent Bond	\$290,632
Hospital Reserve	132
<u>Capital Projects Fund</u>	
County View Capital Fund	11,977

The following funds had appropriations in excess of estimated revenues plus available balances contrary to Section 5705.39, Ohio Revised Code for the year ended December 31, 2001:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
DARE	\$ 2,103
Daughter/Son Sexual Abuse Grant	38,337
Litter Control	976
MVGT	19,143
Solid Waste Management	1,118
Railroad Crossings	200
Block Grant	141,462
Civil Defense	6,609
<u>Capital Projects Funds</u>	
Misamore Ditch	4,168
Capital Projects	36,450
<u>Enterprise Funds</u>	
Hahn Center	16,516
Morse Township Landfill Fees	227

**HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**E. Agency Funds**

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

<u>Assets</u>	
Real and Other Taxes Receivable	\$22,623,645
Special Assessments Receivable	513,263
Due from Other Governments	<u>6,102</u>
Total	<u><u>\$23,143,010</u></u>

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

**A. Primary Government**

Monies held by the County are classified by State statute into three categories:

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

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

Interim deposits are deposits in interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following:

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

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in 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
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.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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

*Cash on Hand:* At year-end, the County had \$4,200 in undeposited cash on hand which is included on the Combined 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, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$13,015,963. At that date, the bank balance, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$13,451,206. Of the bank balance:

1. \$600,334 was covered by federal depository insurance; and
2. \$12,850,872 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

*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 1	Category 3	Fair Value
Henry County Notes	\$100,000	\$ -	\$ 100,000
Repurchase Agreements	-	1,000,000	1,000,000
Total Investments	<u>\$100,000</u>	<u>\$1,000,000</u>	<u>\$1,100,000</u>

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 per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
Per GASB Statement No. 9	\$13,730,163	\$ 390,000
Reclassifications:		
Repurchase agreements	(1,000,000)	1,000,000
Certificates of deposit	290,000	(290,000)
Cash on hand	(4,200)	-
Per GASB Statement No. 3	<u>\$13,015,963</u>	<u>\$1,100,000</u>

**HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001

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

**B. Component Units**

At December 31, 2001, the carrying amount of the component units demand deposits was \$856,120. The bank balance at that date was \$872,310. Of the bank balance, \$22,914 was insured by FDIC and \$849,396 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by a third party trustee, pursuant to Ohio Revised Code Section 135.181, in collateralized pools securing public funds on deposit with specific depository institutions. In addition, at year-end, the component unit had \$158 in undeposited cash on hand which is included as part of "Cash in Segregated Accounts". The component units had no investments at December 31, 2001.

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Long-term interfund loans (outstanding for greater than one year) at December 31, 2001, consisted of the following individual fund receivables and payables:

	<u>Advances to Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	\$168,000	\$ -
<u>Capital Projects Funds:</u>		
Misamore Ditch	-	(120,000)
Grelton Waterline Extension	-	(48,000)
Total Interfund Receivables/Payables	<u>\$168,000</u>	<u>\$(168,000)</u>

**B.** A reconciliation of the County's operating transfers for 2001 is as follows:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$ -	\$(241,668)
<u>Special Revenue Funds:</u>		
Marine Patrol	3,000	-
Solid Waste Management	5,202	-
911	46,566	-
Civil Defense	31,900	-
Total Special Revenue Funds	<u>86,668</u>	<u>-</u>

**HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

	<u>Transfers In</u>	<u>Transfers (Out)</u>
<u>Debt Service Fund:</u>		
Grelton Water Line Extension	\$ <u>16,639</u>	\$ _____ -
<u>Capital Projects Fund:</u>		
Grelton Water Line Extension	<u>352,936</u>	<u>(16,639)</u>
<u>Enterprise Funds:</u>		
Landfill Closure	60,000	-
Hahn Center	<u>95,000</u>	-
Total Enterprise Funds	<u>155,000</u>	-
<u>Component Units:</u>		
Hope School	-	(152,936)
Hope Residential Services	-	<u>(200,000)</u>
Total Component Units	-	<u>(352,936)</u>
Total Transfers In/(Out)	<u>\$611,243</u>	<u>\$(611,243)</u>

All 2001 transfers complied with the requirements of the Ohio Revised Code.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. True value is 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.

The assessed value upon which the 2001 taxes were collected is \$506,215,853. The full tax rate for all County operations (including component units) applied to real property for tax year ended December 31, 2001, was \$12.70 per \$1,000 of assessed valuation. The full tax rate for debt service was \$1.40 per \$1,000 of assessed valuation.



## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

#### **NOTE 6 - PROPERTY TAXES (Continued)**

Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 15, 2001. If paid semi-annually, the first payment is due February 15, 2001 and the remainder payable by July 20, 2001. 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 2001 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 2002 are shown as 2001 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.

**HENRY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

**NOTE 7 - PERMISSIVE SALES AND USE TAX**

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

Proceeds of the tax are credited to the general fund and Motor Vehicle and Gas Tax special revenue fund. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2001 and amounts that are measurable and available at year-end are accrued as revenue. Amounts received outside the available period are recorded as deferred revenue. Sales and use tax for 2001 amounted to \$2,353,280.

**NOTE 8 - LOANS RECEIVABLE**

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

	Balance Outstanding <u>12/31/00</u>	Loans <u>Issued</u>	Principal <u>Received</u>	Balance Outstanding <u>12/31/01</u>
Revolving Loans	<u>\$1,089,036</u>	<u>\$248,500</u>	<u>\$(240,987)</u>	<u>\$1,096,549</u>

The loans are reported in the special revenue funds. Fund balance has been reserved for the outstanding balance due at year-end.

**HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001

**NOTE 9 - FIXED ASSETS**

A. A summary of the proprietary fund property, plant, and equipment at December 31, 2001 is as follows:

Land	\$ 352,180
Vehicles	586,886
Machinery and Equipment	<u>261,084</u>
Total Gross Assets	1,200,150
 Less: Accumulated Depreciation	 <u>(440,509)</u>
 Total Net Assets	 <u><u>\$ 759,641</u></u>

B. A summary of changes in general fixed assets during 2001 follows:

	Balance 1/1/01	Additions	Deletions	Balance 12/31/01
Land	\$ 478,709	\$ -	\$ -	\$ 478,709
Buildings	19,266,896	109,180	(2,600)	19,373,476
Furniture, Fixtures, Machinery and Equipment	1,829,905	155,197	(146,996)	1,838,106
Vehicles	<u>2,370,124</u>	<u>277,873</u>	<u>(163,179)</u>	<u>2,484,818</u>
 Total General Fixed Asset Account Group	 <u><u>\$23,945,634</u></u>	 <u><u>\$542,250</u></u>	 <u><u>\$(312,775)</u></u>	 <u><u>\$24,175,109</u></u>

C. A summary of changes in Component Unit fixed assets during 2001 follows:

	Balance 1/1/01	Additions	Deletions	Balance 12/31/01
Component Units	<u><u>\$3,044,402</u></u>	<u><u>\$536,853</u></u>	<u><u>\$(53,205)</u></u>	<u><u>\$3,528,050</u></u>

**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.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

#### NOTE 10 - VACATION AND SICK LEAVE LIABILITY - (Continued)

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, 2001 vested sick leave benefits, including the additional liability for employees expected to become eligible to retire in accordance with GASB No. 16, for all governmental fund type employees and all component unit employees totaled \$799,065. The total liability for all current and non-current compensated absences (including vacation) for all governmental fund types, component units, and proprietary fund types is \$1,192,634 at December 31, 2001.

#### NOTE 11 - LONG-TERM OBLIGATIONS

The County's general long-term obligations at year-end consisted of an OWDA loan, a courthouse improvement bond with general government commitment, special assessment bonds with general government commitment, revenue bonds and compensated absences.

A. The following is a summary of the changes in the County's long-term obligations during 2001:

	<u>Original Amount Issued</u>	<u>Balance 1/1/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/01</u>
<u>General Government:</u>					
1996 - 5.25% General Obligation Bond	\$4,000,000	\$2,220,000	\$ -	\$(400,000)	\$1,820,000
1990 - 2% OWDA Loan	291,706	174,844	-	(11,412)	163,432
Compensated Absences	<u>N/A</u>	<u>717,634</u>	<u>146,210</u>	<u>-</u>	<u>863,844</u>
Total General Government	<u>4,291,706</u>	<u>3,112,478</u>	<u>146,210</u>	<u>(411,412)</u>	<u>2,847,276</u>
<u>Special Assessment Bonds with Governmental Commitment:</u>					
1995 - 6.15% to 9.9%	345,000	195,000	-	(25,000)	170,000
1998 - 4.75%	<u>211,925</u>	<u>198,352</u>	<u>-</u>	<u>(7,217)</u>	<u>191,135</u>
Total Special Assessment Bonds	<u>556,925</u>	<u>393,352</u>	<u>-</u>	<u>(32,217)</u>	<u>361,135</u>
<u>Revenue Bonds:</u>					
1989 - 5% Hospital Addition	375,000	295,000	-	(10,000)	285,000
1992 - 5% Hospital Improvement	<u>4,025,000</u>	<u>2,355,000</u>	<u>-</u>	<u>(148,000)</u>	<u>2,207,000</u>
Total Revenue Bonds	<u>4,400,000</u>	<u>2,650,000</u>	<u>-</u>	<u>(158,000)</u>	<u>2,492,000</u>
Total General Long-Term Obligations Account Group	<u>\$9,248,631</u>	<u>\$6,155,830</u>	<u>\$146,210</u>	<u>\$(601,629)</u>	<u>\$5,700,411</u>

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

#### NOTE 11 - LONG-TERM DEBT - (Continued)

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. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. The benefits will be paid from the fund from which the person is paid.

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

	<u>OWDA Loan</u>		<u>Special Assessment Bonds</u>		<u>General Obligation Bond</u>		<u>Revenue Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 11,640	\$ 3,269	\$ 32,559	\$ 19,671	\$ 420,000	\$ 95,630	\$ 165,000	\$124,600	\$ 629,199	\$ 243,170
2003	11,873	3,036	27,918	17,762	445,000	74,000	174,000	116,350	658,791	211,148
2004	12,111	2,798	28,295	16,146	465,000	50,860	182,000	107,650	687,406	177,454
2005	12,353	2,556	29,554	13,646	490,000	26,215	192,000	98,550	723,907	140,967
2006	12,600	2,309	34,554	12,396	-	-	201,000	88,950	248,154	103,655
2007 - 2011	66,881	7,663	109,762	39,054	-	-	1,167,000	283,550	1,343,643	330,267
2012 - 2016	35,974	1,297	62,888	19,619	-	-	345,000	43,400	443,862	64,316
2017 - 2020			<u>35,605</u>	<u>1,544</u>	-	-	<u>66,000</u>	<u>6,700</u>	<u>101,605</u>	<u>8,244</u>
<b>Total</b>	<b><u>\$163,432</u></b>	<b><u>\$22,928</u></b>	<b><u>\$361,135</u></b>	<b><u>\$139,838</u></b>	<b><u>\$1,820,000</u></b>	<b><u>\$246,705</u></b>	<b><u>\$2,492,000</u></b>	<b><u>\$869,750</u></b>	<b><u>\$4,836,567</u></b>	<b><u>\$1,279,221</u></b>

- 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, 2001, was an unvoted debt margin of \$4,571,505, and a total debt margin (voted and unvoted) of \$10,664,742, both of which include available funds of \$1,329,346.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

#### NOTE 12 - NOTES PAYABLE

The County had the following bond anticipation notes and internal notes outstanding at December 31, 2001:

	Issue Date	Balance 1/1/01	Issued	Retired	Balance 12/31/01
<b>General Obligation</b>					
<u>Bond Anticipation Notes:</u>					
<u>Enterprise Funds</u>					
County Facilities Improvement - 5.95%	6/1/00	\$ 450,000	\$ -	\$ (450,000)	\$ -
County Facilities Improvement - 5.95%	12/1/01	-	350,000	-	350,000
Landfill Improvement - 5.35%	4/1/00	650,000	-	(650,000)	-
Landfill Improvement - 5.95%	4/2/01	-	615,000	-	615,000
Total Enterprise Fund General Obligation					
Bond Anticipation Notes		<u>\$1,100,000</u>	<u>\$965,000</u>	<u>\$(1,100,000)</u>	<u>\$965,000</u>
<u>Capital Projects Funds</u>					
Misamore Ditch - 5.35%	3/31/00	\$50,000	\$25,000	\$(50,000)	\$25,000
Grelton Waterline Extension - 5.35%	3/31/00	45,000	45,000	(45,000)	45,000
Real Estate Property Acquisition - 4.75%	6/14/01	-	344,500	(344,500)	-
Total Capital Projects Funds General Obligation					
Bond Anticipation Notes		<u>\$ 95,000</u>	<u>\$414,500</u>	<u>\$(439,500)</u>	<u>\$ 70,000</u>
<u>Internal Notes:</u>					
<u>Special Revenue Funds</u>					
Real Estate Acquisition Note - 5.0%	8/24/01	\$ -	\$100,000	\$ -	\$100,000

The real estate acquisition notes are internal Henry County notes representing amounts borrowed from the general fund. These notes were issued to purchase land and make improvements thereon at a location to house governmental functions and offices. These notes are structured in essentially the same manner as notes with outside institutions.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

#### 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, 2001 follows:

	<u>Landfill</u>	<u>Monroe Township</u>	<u>Hahn Center</u>	<u>Tower Fund</u>	<u>Totals</u>
Operating Revenues	\$1,064,696	\$5,962	\$ 85,800	\$ 14,785	\$1,171,243
Operating Expenses before Depreciation	1,261,799	6,460	71,647	2,825	1,342,731
Depreciation Expense	48,827	-	-	-	48,827
Operating Income (Loss)	(245,930)	(498)	14,153	11,960	(220,315)
Interest Expense	36,089	-	24,854	-	60,943
Interest Revenue	44,864	-	-	-	44,864
Net Income (Loss) before Operating Transfers	(147,155)	(498)	(10,701)	11,960	(146,394)
Transfers In	60,000	-	95,000	-	155,000
Net Income (Loss)	(87,155)	(498)	84,299	11,960	8,606
Fixed Assets:					
Additions	227,002	-	-	-	227,002
Deletions	6,539	-	-	-	6,539
Net Working Capital	1,031,644	425	15,923	116,410	1,164,402
Total Assets	1,981,046	425	32,763	116,410	2,130,644
Notes Payable	615,000	-	350,000	-	965,000
Total Equity (Accumulated Deficit)	(442,309)	425	(334,077)	116,410	(659,551)
Encumbrances at December 31, 2001	52,722	-	9,430	1,047	63,199

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

#### NOTE 14 - DEFINED BENEFIT PENSION PLANS

##### A. Public Employees Retirement System

All 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 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2001 was 8.5 percent for employees other than law enforcement. In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. The employer contribution rate for employees other than law enforcement was 13.55 percent of covered payroll; 9.25 percent was the portion used to fund pension obligations for 2001. The employer contribution rate for law enforcement employees was 16.70 percent of covered payroll; 12.40 percent was the portion used to fund pension obligations for 2001. The County's contributions for pension obligations to the PERS for the years ended December 31, 2001, 2000, and 1999 were \$726,325, \$717,923, and \$925,874, respectively; 65 percent has been contributed for 2001 and 100 percent for 2000 and 1999. \$254,668, representing the unpaid contribution for 2001, is recorded as a liability within the respective funds.



## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

#### **NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

##### **B. State Teachers Retirement System**

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides 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 Ohio issues a publicly available financial report that includes financial statements and required supplementary information for STRS Ohio. That report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions for pension obligations to STRS Ohio for the years ended December 31, 2001, 2000, and 1999 were \$85,682, \$73,021, and \$87,792, respectively; 96% been contributed for 2001 and 100% for the years 2000 and 1999. \$3,151, representing the unpaid contributions for 2001, is recorded as a liability within the respective funds.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

#### NOTE 15 - POSTEMPLOYMENT BENEFITS

##### A. Public Employees Retirement System

PERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2001 employer contribution rate for local government employers was 13.55% of covered payroll; 4.30% was the portion that was used to fund health care. The law enforcement employer rate for 2001 was 16.70% of covered payroll; 4.30% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The County's contribution actually made to fund post employment benefits was \$232,546.

OPEB 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.

As of December 31, 1999 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively, at December 31, 1999 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 1999 (the latest information available) was 401,339.

## HENRY COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

#### **NOTE 15 - POSTEMPLOYMENT BENEFITS (Continued)**

In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continue to contribute at 9.0%. The employer contribution rate for both the law enforcement and public safety divisions is 16.70%.

Law enforcement officer benefits permit age and service retirement at an earlier age with a different formula than that for PERS members not covered under this division.

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 2001, Comprehensive Annual Financial Report.

#### **B. State Teachers Retirement System**

Comprehensive health care benefits are provided to retired teachers and their dependents through the STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State statute.

All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Reserve Fund equal to 4.5% of covered payroll for the fiscal year ended June 30, 2001. For the County, this amount equaled \$27,541 during calendar year 2001. As of June 30, 2001, the balance in the Health Care Reserve Fund was \$3.256 billion and eligible benefit recipients totaled 102,132 for STRS Ohio as a whole. For the fiscal year ended June 30, 2001, net health care costs paid by STRS Ohio were \$300,772,000.

**HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001

**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:

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	\$(118,249)	\$1,321,162	\$261,272	\$126,110
Net adjustment for revenue accruals	428,566	(155,167)	462	-
Net adjustment for expenditure accruals	(226,381)	211,675	(39,220)	456,514
Net adjustment for other financing sources/(uses) accruals	83,007	(100,000)	16,771	(431,098)
Encumbrances (budget basis)	<u>88,902</u>	<u>231,499</u>	-	-
GAAP Basis	<u>\$255,845</u>	<u>\$1,509,169</u>	<u>\$239,285</u>	<u>\$151,526</u>

## **HENRY COUNTY, OHIO**

### **NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001**

#### **NOTE 17 - CONTINGENCIES**

##### **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, 2001.

#### **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 \$1,618,594 as of December 31, 2001, which is based on 61% usage (filled) of the landfill. It is estimated that an additional \$1,022,660 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 \$2,641,254 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, 2001. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

## **HENRY COUNTY, OHIO**

### **NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001**

#### **NOTE 18 - CLOSURE AND POSTCLOSURE CARE COSTS - (Continued)**

The County is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 2001, cash and cash equivalents of \$1,040,604 are held for these purposes. These investments are held and managed by the County and are presented on the County's balance sheet as "Restricted Assets: Equity in Pooled Cash and Cash Equivalents". It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

#### **NOTE 19 - PUBLIC ENTITY RISK POOL**

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

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

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2001 was \$119,516.

**HENRY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

**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, 2001, 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 group 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.

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

<u>Year Ending</u> <u>December 31</u>	
2002	\$ 289,600
2003	290,350
2004	289,650
2005	290,550
2006	289,950
Later years	<u>1,911,600</u>
Total minimum future lease payments	<u>\$3,361,700</u>

**NOTE 22 - 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.

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## SUPPLEMENTAL DATA

HENRY COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2001

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF AGRICULTURE:</b>				
<b>Nutrition Grant Cluster:</b>				
(A) (D) National School Lunch Program	10.555	065946-03-PU-02	\$21,302	\$0
(B) (D) Food Distribution	10.550	N/A	0	2,153
<b>Total U.S. Department of Agriculture and Nutrition Grant Cluster</b>			21,302	2,153
<b>U. S. DEPARTMENT OF JUSTICE PASSED THROUGH THE OFFICE OF CRIMINAL JUSTICE SERVICES:</b>				
Supervised Visitation	16.579	2000-DG-D02-7003	20,025	
<b>Total U.S. Department of Justice</b>			20,025	
<b>U.S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF JOB AND FAMILY SERVICES WORKFORCE DEVELOPMENT ACT OF 1998 ("WIA") CLUSTER</b>				
(G) WIA	17.255	N/A	9,685	
(G) WIA Youth	17.259	N/A	62,138	
(G) WIA Adult	17.258	N/A	18,001	
(G) WIA Dislocated Worker	17.260	N/A	22,175	
<b>Total U.S. Department of Labor</b>			111,999	
<b>UNITED STATES DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>				
<b>Special Education Cluster:</b>				
(E) Special Education - Grants to States (Title VI-B)	84.027	066365-6B-SF-01P	36,085	
(E) Special Education - Grants to States (Title VI-B)	84.027	066365-6B-SF-02P	22,745	
<b>Total Title VI-B</b>			58,830	
(E) Special Education Preschool Grants	84.173	066365-PG-S1-01P	29,549	
(E) Special Education Preschool Grants	84.173	066365-PG-S1-02P	16,910	
<b>Total Special Education Preschool Grants</b>			46,459	
<b>Total Special Education Cluster and U.S. Department of Education</b>			105,289	
<b>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT DISASTER ASSISTANCE PASSED THROUGH THE OHIO DEPARTMENT OF EMERGENCY MANAGEMENT MANAGEMENT DISASTER ASSISTANCE:</b>				
Emergency Management - State and Local Assistance	83.554	EMC-01-PA-1333	12,593	
Emergency Management - State and Local Assistance	83.554	EMC-02-PA-1333	6,461	
<b>Total Emergency Management - State and Local Assistance     and U.S. Department of Federal Emergency</b>			19,054	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE AREA OFFICE OF AGING:</b>				
Special Programs for the Aging - Title III Part B	93.044	N/A	36,734	
Special Programs for the Aging - Title III Part F	93.043	N/A	8,566	
<b>Total Area Office of Aging</b>			45,300	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES:</b>				
Special Programs for the Aging - Title III Part B	93.558	N/A	7,158	
<b>PASSED THROUGH THE OHIO DEPARTMENT OF HEALTH</b>				
Social Services Block Grant (Title XX)	93.667	N/A	30,729	
<b>PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES</b>				
Medical Assistance Program (Medicaid: Title XIX)	93.778	N/A	363,361	
<b>Total U.S. Department of Health and Human Services</b>			446,548	
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF EMERGENCY MANAGEMENT DISASTER ASSISTANCE</b>				
Home Investment Partnerships Program	14.239	B-C-98-032-2	10,000	
Home Investment Partnerships Program	14.239	B-C-00-032-3	123,039	
<b>Total Home Investment Partnerships Program</b>			133,039	
Community Development Block Grant	14.228	B-F-99-032-1	40,475	
Community Development Block Grant	14.228	B-F-00-032-1	43,250	
Community Development Block Grant	14.228	B-C-98-032-1	35,556	
Community Development Block Grant	14.228	B-C-00-032-2	22,701	
<b>Total Community Development Block Grant</b>			141,982	
<b>Total U.S. Department of Housing and Urban Development</b>			275,021	
<b>Total Federal Financial Assistance</b>			\$999,238	\$2,153

- (A) The Food Distribution Program is a noncash, federal grant.
- (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (C) This schedule was prepared on a cash basis.
- (D) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (E) Included as part of the "Special Education Grant Cluster" in determining major programs.
- (F) The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the 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, 2001, the gross amount of loans outstanding under this program were \$1,096,549.
- (G) The Workforce Investment Act (WIA) Cluster Program, was inadvertently omitted from the schedule of federal awards expenditures as initially reported on June 17, 2002. WIA has been added to this schedule and tested as a major program as of January 22, 2003.

# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 WORTHINGTON WOODS BOULEVARD  
SUITE B  
WORTHINGTON, OHIO 43085

TELEPHONE 614.846.1899  
FACSIMILE 614.846.2799

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

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

We have audited the general purpose financial statements of Henry County as of and for the year ended December 31, 2001, and have issued our report thereon dated June 17, 2002, except for the Schedule of Expenditures of Federal Awards, as to which the date is January 22, 2003. The County implemented Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Henry County's general purpose 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2001-HC-001 and 2001-HC-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of Henry County in a separate letter dated June 17, 2002.

Board of Commissioners  
Henry County

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Henry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 certain matters involving the internal control over financial reporting, that do not require inclusion in this report, that we have reported to the management of the Henry County in a separate letter dated June 17, 2002.

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

Trimble, Julian & Grube, Inc.  
June 17, 2002

# TRIMBLE, JULIAN & GRUBE, INC.

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FACSIMILE 614.846.2799

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

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

### Compliance

We have audited the compliance of Henry County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2001. The County implemented Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33. Henry County's major federal programs are 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 programs are the responsibility of Henry County's management. Our responsibility is to express an opinion on Henry County's compliance based on our audit.

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

Board of Commissioners  
Henry County

In our opinion, Henry County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2001.

#### Internal Control Over Compliance

The management of Henry County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Henry County internal control over compliance with requirements that could have a direct and material effect on its major federal programs 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 its major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of Henry County in a separate letter dated June 17, 2002.

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

The accompanying schedule of federal awards expenditures replaces the schedule in the County's initial report for the year ended December 31, 2001. The schedule was revised to include the Workforce Investment Act (WIA) Cluster Program, which was inadvertently omitted from the schedule initially reported on June 17, 2002.

Trimble, Julian & Grube, Inc.

June 17, 2002, except for the Schedule of Expenditures of Federal Awards, as to which the date is January 22, 2003

**HENRY COUNTY  
DECEMBER 31, 2001**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	<b>Unqualified</b>
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	<b>No</b>
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	<b>No</b>
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	<b>Yes</b>
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	<b>No</b>
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	<b>No</b>
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	<b>Unqualified</b>
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	<b>No</b>
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	<b>Medicaid Title XIX CFDA # 93.778; Home Investment Partnerships Program #14.239; Workforce Investment Act Cluster CFDA # 17.255, CFDA # 17.258, CFDA # 17.259, CFDA # 17.260.</b>
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	<b>Type A: &gt;\$300,000 Type B: all others</b>
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	<b>No</b>



**HENRY COUNTY  
DECEMBER 31, 2001**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505**

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

Finding Number	2001-HC-001
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Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.

It was noted during the audit that the County had appropriations exceeding resources in the following funds:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Funds</u>			
DARE	\$ 44,500	\$ 46,603	\$ 2,103
Daughter/Son Sexual Abuse Grant	75,246	113,583	38,337
Litter Control	9,120	10,096	976
MVGT	3,775,857	3,795,000	19,143
Solid Waste Management	48,342	49,460	1,118
Railroad Crossings	0	200	200
Block Grant	362,153	503,615	141,462
Civil Defense	67,012	73,621	6,609
<u>Capital Projects Funds</u>			
Misamore Ditch	60,791	64,959	4,168
Capital Projects	138,550	175,000	36,450
<u>Enterprise Funds</u>			
Hahn Center	568,809	585,325	16,516
Tower Fund	6,773	7,000	227

With appropriations exceeding estimated resources, the County is spending monies that are not lawfully appropriated for those purposes and thus could result in a fund deficit.

**HENRY COUNTY  
DECEMBER 31, 2001**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505**

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

We recommend that the County comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year-end. If it is determined that estimated revenues will be greater than initially anticipated, the County should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources.

Finding Number	2001-HC-002
----------------	-------------

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the County had expenditures exceeding appropriations in the following funds:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Debt Service Funds</u>			
Hospital Basic Rent	\$ 0	\$290,632	\$290,632
Hospital Reserve	0	132	132
<u>Capital Projects Fund</u>			
County View Capital Fund	1,376	13,353	11,977

Disclosure is presented at the fund level, rather than at the department and item level within the fund due to the practicality of determining these values.

With expenditures exceeding appropriations, the County is unlawfully expending monies that have not been appropriated.

We recommend that the County comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget prior to year-end. This may be achieved by monitoring the budget more closely on a continual basis.

**HENRY COUNTY  
DECEMBER 31, 2001**

**STATUS OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315(b)**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer</b>
2000-HC-001	Ohio Revised Code Section 5705.39 prohibiting a subdivision from having appropriations in excess of estimated resources.	No	The County is attempting to file amended certificates quarterly upon review of appropriations and resources.
2000-HC-002	Ohio Revised Code 5705.41 (B) prohibiting a subdivision from making an expenditure unless it has been appropriated.	No	The County is attempting to monitor its appropriations versus expenditures more frequently and utilize its budgetary computer package.
2000-HC-003	Procurement and Suspension and Debarment - Recipients of federal awards are required to procure contracts from parties who are complying with federal standards.	Yes	Finding No Longer Valid
2000-HC-004	Rehabilitation Program - Eligibility requirements for the Owner-Occupied, Single-Family Rehabilitation Program include that applicants scoring below 50 points do not qualify for assistance.	Yes	Finding No Longer Valid
2000-HC-005	Lead Abatement Program - The application for "Lead Based Paint Reduction & Evaluation" includes the requirement that a mortgage be obtained when lead reduction activity is performed for clients.	Yes	Finding No Longer Valid





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

## 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  
JUNE 17, 2003