

Henry County, Ohio

Basic Financial Statements

Year Ended December 31, 2011

With Independent Auditors' Report





Dave Yost • Auditor of State

Board of Commissioners
Henry County
660 N. Perry Street
P.O. Box 546
Napoleon, Ohio 43545

We have reviewed the *Independent Auditors' Report* of Henry County prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 15, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Henry County, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio (the "County") as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on the financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General, Country View Haven, Motor Vehicle and Gas Tax and County Board of DD funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2011, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

one east fourth street, ste. 1200
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended December 31, 2011, and have issued our report thereon dated June 27, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 27, 2012

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

The management's discussion and analysis of Henry County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- The total net assets of the County increased \$1,667,804. Net assets of governmental activities increased \$1,846,434, which represents a 3.32% increase from 2010. Net assets of business-type activities decreased \$178,630, which represents a 58.18% decrease from 2010.
- General revenues accounted for \$13,899,955 or 47.57% of total governmental activities revenue. Program specific revenues accounted for \$15,319,481 or 52.43% of total governmental activities revenue.
- The County had \$27,373,002 in expenses related to governmental activities. \$15,319,481 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$13,899,955 were adequate to provide for these programs.
- The County's major governmental funds are the general fund, country view haven fund, motor vehicle and gas tax fund, and county board of developmentally disabled (DD) fund. The general fund, the County's largest major fund, had revenues of \$8,658,401 in 2011, an increase of \$375,385 or 4.53% from 2010 revenues. The general fund had expenditures and other financing uses of \$8,068,593 in 2011, a decrease of \$560,109 or 6.49% from 2010. The increase in revenues, due primarily to an increase in sales tax collections and other revenues in 2011, and decrease in expenditures, due to a decrease in transfers out, resulted in the general fund balance increase of \$589,808 or 11.76% from 2010 to 2011.
- The country view haven fund, a County major fund, had revenues of \$1,863,453 in 2011. The country view haven fund had expenditures of \$1,634,278 in 2011. The country view haven fund balance increased \$229,175 or 12.69% from 2010 to 2011.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,199,971 in 2011. The motor vehicle and gas tax fund had expenditures of \$3,765,025 in 2011. The motor vehicle and gas tax fund balance increased \$434,946 or 18.35% from 2010 to 2011.
- The county board of DD fund, a County major fund, had revenues of \$6,883,023 in 2011. The county board of DD fund had expenditures of \$6,817,786 in 2011. The county board of DD fund balance increased \$65,237 or 3.19% from 2010 to 2011.
- Net assets for the business-type activities, which include the sanitary landfill, tower, Hahn Center and Monroe Township landfill fees enterprise funds, decreased in 2011 by \$178,630 or 58.18%.

Using these Basic Financial Statements (BFS)

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

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

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

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities answer the question, "How did we do financially during 2011?" These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The County's statement of net assets and statement of activities can be found on pages 15-17 of this report.

Reporting the County's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, country view haven fund, motor vehicle and gas tax fund, and the county board of developmentally disabled (DD) fund. The analysis of the County's major governmental and proprietary funds begins on page 10.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

Governmental Funds

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 18-28 of this report.

Proprietary Funds

The County maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its sanitary landfill, tower, Hahn Center and Monroe Township landfill fees operations. The sanitary landfill fund is the County's only major enterprise fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County has no internal service funds. The basic proprietary fund financial statements can be found on pages 29-31 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 32 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33-67 of this report.

Government-wide Financial Analysis

The statement of net assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets at December 31, 2011 and December 31, 2010.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

	Net Assets					
	Governmental	Business-type	Restated		2011	2010
	Activities	Activities	Governmental	Business-type	Total	Total
	2011	2011	2010	2010		
Assets:						
Current and other assets	\$ 30,442,763	\$ 1,555,143	\$ 28,639,609	\$ 1,666,818	\$ 31,997,906	\$ 30,306,427
Capital assets, net	<u>35,743,175</u>	<u>1,020,325</u>	<u>35,962,642</u>	<u>1,060,411</u>	<u>36,763,500</u>	<u>37,023,053</u>
Total assets	<u>66,185,938</u>	<u>2,575,468</u>	<u>64,602,251</u>	<u>2,727,229</u>	<u>68,761,406</u>	<u>67,329,480</u>
Liabilities:						
Long-term liabilities outstanding	2,060,795	2,982,303	2,181,545	2,857,138	5,043,098	5,038,683
Other liabilities	<u>6,686,560</u>	<u>78,849</u>	<u>6,828,557</u>	<u>177,145</u>	<u>6,765,409</u>	<u>7,005,702</u>
Total liabilities	<u>8,747,355</u>	<u>3,061,152</u>	<u>9,010,102</u>	<u>3,034,283</u>	<u>11,808,507</u>	<u>12,044,385</u>
Net assets:						
Invested in capital assets, net of related debt	35,498,394	1,020,325	35,603,001	1,060,411	36,518,719	36,663,412
Restricted	15,852,783	-	15,170,511	-	15,852,783	15,170,511
Unrestricted (deficit)	<u>6,087,406</u>	<u>(1,506,009)</u>	<u>4,818,637</u>	<u>(1,367,465)</u>	<u>4,581,397</u>	<u>3,451,172</u>
Total net assets (deficit)	<u>\$ 57,438,583</u>	<u>\$ (485,684)</u>	<u>\$ 55,592,149</u>	<u>\$ (307,054)</u>	<u>\$ 56,952,899</u>	<u>\$ 55,285,095</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the County's assets exceeded liabilities by \$56,952,899. This amounts to \$57,438,583 in governmental activities and a deficit of \$485,684 in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 53.47% of total governmental and business-type assets. Capital assets include land, buildings and improvements, machinery and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2011, were \$36,518,719. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. Capital assets are discussed further on page 13.

As of December 31, 2011, the County is able to report positive balances in all categories of net assets for its governmental activities.

A portion of the County's governmental activities net assets, \$15,852,783 or 27.60%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net assets is \$6,087,406.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

The table below shows the changes in net assets for governmental and business-type activities for 2011 and 2010.

	Change in Net Assets					
	Governmental	Business-type	Governmental	Business-type	2011	2010
	Activities 2011	Activities 2011	Activities 2010	Activities 2010	Total	Total
Revenues:						
Program revenues:						
Charges for services and sales	\$ 3,622,043	\$ 832,040	\$ 3,007,690	\$ 927,073	\$ 4,454,083	\$ 3,934,763
Operating grants and contributions	10,790,106	-	12,218,590	-	10,790,106	12,218,590
Capital grants and contributions	907,332	-	541,985	-	907,332	541,985
Total program revenues	15,319,481	832,040	15,768,265	927,073	16,151,521	16,695,338
General revenues:						
Property taxes	5,784,291	-	5,742,238	-	5,784,291	5,742,238
Sales tax	4,015,220	-	3,666,293	-	4,015,220	3,666,293
Unrestricted grants	2,365,752	-	2,642,120	-	2,365,752	2,642,120
Investment earnings	166,352	4,856	156,813	11,808	171,208	168,621
Miscellaneous	1,568,340	-	827,744	7,703	1,568,340	835,447
Total general revenues	13,899,955	4,856	13,035,208	19,511	13,904,811	13,054,719
Total revenues	29,219,436	836,896	28,803,473	946,584	30,056,332	29,750,057
Expenses:						
Program expenses:						
General government	4,185,445	-	4,618,327	-	4,185,445	4,618,327
Public safety	3,085,403	-	3,288,197	-	3,085,403	3,288,197
Public works	5,029,734	-	4,442,561	-	5,029,734	4,442,561
Health	1,868,426	-	1,745,589	-	1,868,426	1,745,589
Human services	11,353,050	-	11,873,664	-	11,353,050	11,873,664
Economic development	646,451	-	942,230	-	646,451	942,230
Transportation	550,624	-	505,334	-	550,624	505,334
Intergovernmental	172,449	-	285,907	-	172,449	285,907
Other	463,417	-	188,068	-	463,417	188,068
Interest and fiscal charges	18,003	-	19,085	-	18,003	19,085
Sanitary landfill	-	900,274	-	856,529	900,274	856,529
Other business-type activities:						
Tower fund	-	35,165	-	35,564	35,165	35,564
Hahn Center	-	71,983	-	57,295	71,983	57,295
Monroe Township landfill fees	-	8,104	-	8,115	8,104	8,115
Total expenses	27,373,002	1,015,526	27,908,962	957,503	28,388,528	28,866,465
Change in net assets	1,846,434	(178,630)	894,511	(10,919)	1,667,804	883,592
Net assets (deficit) at beginning of year (restated)						
	55,592,149	(307,054)	54,697,638	(296,135)	55,285,095	54,401,503
Net assets (deficit) at end of year	\$ 57,438,583	\$ (485,684)	\$ 55,592,149	\$ (307,054)	\$ 56,952,899	\$ 55,285,095

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

Governmental Activities

Governmental net assets increased by \$1,846,434 in 2011 from 2010.

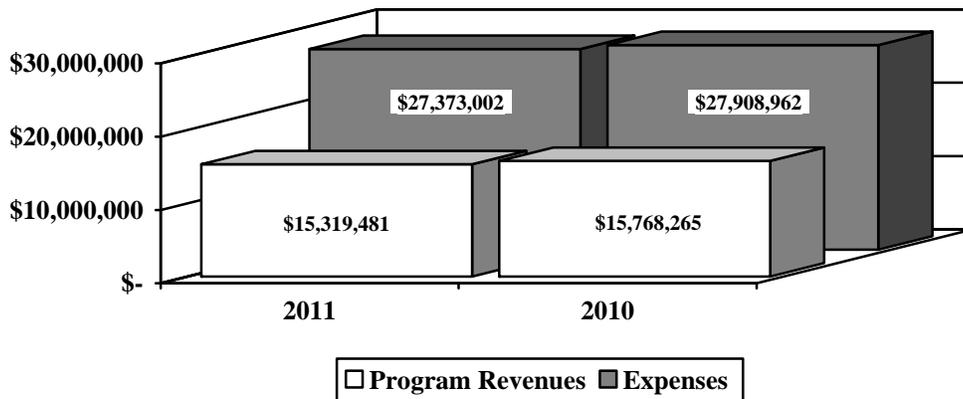
Human services, which supports the operations of the county board of DD fund and public assistance fund, accounts for \$11,353,050 of expenses, or 41.48% of total governmental expenses of the County. These expenses were funded by \$599,681 in charges to users of services and \$5,946,757 in operating grants in 2011. General government expenses which includes legislative and executive and judicial programs, totaled \$4,185,445 or 15.29% of total governmental expenses. General government expenses were covered by \$1,782,152 of direct charges to users in 2011.

The State and federal government contributed to the County revenues of \$10,790,106 in operating grants and contributions and \$907,332 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$5,946,757, or 55.11%, subsidized human services programs.

General revenues totaled \$13,899,955, and amounted to 47.57% of total revenues. These revenues primarily consist of property and sales tax revenue of \$9,799,511 or 70.50% of total general revenues in 2011. The other primary source of general revenues is grants and entitlements not restricted to specific programs of \$2,365,752.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2011 and 2010. As can be seen in the graph below, the County is reliant upon general revenues to finance operations as program revenues are not sufficient to cover total expenses.

Governmental Activities – Program Revenues vs. Total Expenses



HENRY COUNTY, OHIO

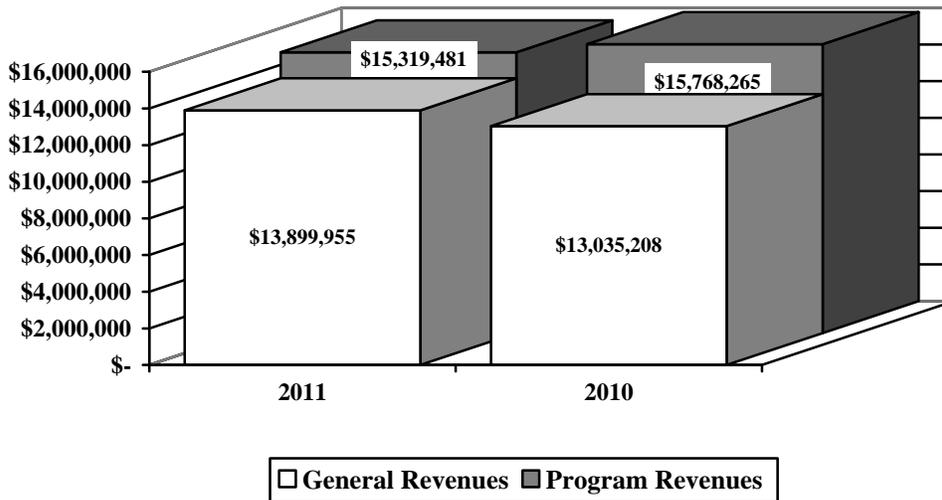
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

The following table shows, for governmental activities, the total cost of services and the net cost of services for 2011 and 2010. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted State grants and entitlements).

	Governmental Activities			
	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program expenses:				
General government	\$ 4,185,445	\$ 2,401,396	\$ 4,618,327	\$ 2,856,118
Public safety	3,085,403	2,678,192	3,288,197	2,723,486
Public works	5,029,734	(229,559)	4,442,561	(362,674)
Health	1,868,426	874,407	1,745,589	828,144
Human services	11,353,050	4,806,612	11,873,664	5,737,026
Economic development and assistance	646,451	395,429	942,230	(72,083)
Transportation	550,624	550,624	505,334	44,917
Intergovernmental	172,449	172,449	285,907	285,907
Other	463,417	385,968	188,068	80,771
Interest and fiscal charges	18,003	18,003	19,085	19,085
Total	\$ 27,373,002	\$ 12,053,521	\$ 27,908,962	\$ 12,140,697

The dependence upon general revenues for governmental activities is apparent, with 50.78% and 46.71% of expenses supported through taxes and other general revenues during 2011 and 2010, respectively. The graph below illustrates the County's reliance upon general revenues.

Governmental Activities – General and Program Revenues



HENRY COUNTY, OHIO

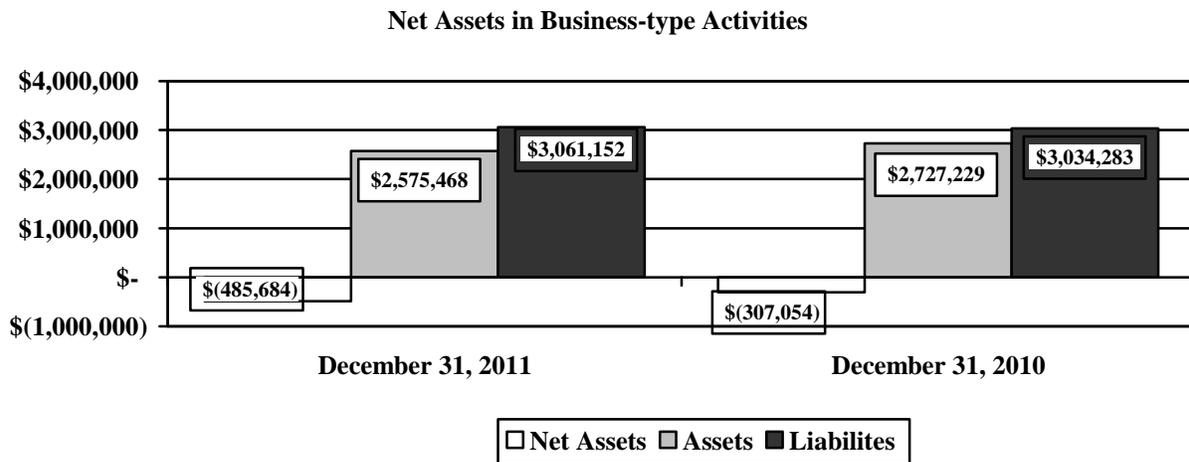
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

Business-type Activities

The sanitary landfill, tower, Hahn Center and Monroe Township landfill fees are the County's enterprise funds. These programs had revenues of \$832,040, general revenues of \$4,856, and expenses of \$1,015,526 for 2011.

The business-type activities net assets decreased \$178,630 or 58.18% during 2011.

The following graph illustrates the assets, liabilities and net assets of the County's business-type activities at December 31, 2011 and December 31, 2010.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

The County's governmental funds (as presented on the balance sheet on page 18 and 19) reported a combined fund balance of \$19,074,843, which is \$1,936,348 higher than last year's total of \$17,138,495. The following schedule indicates the fund balance and the total change in fund balance as of December 31, 2011 and December 31, 2010 for all major and nonmajor governmental funds.

	Fund Balance <u>December 31, 2011</u>	(Restated) Fund Balance <u>December 31, 2010</u>	Increase/ <u>(Decrease)</u>
Major funds:			
General	\$ 5,603,612	\$ 5,013,804	\$ 589,808
Country view haven fund	2,035,495	1,806,320	229,175
Motor vehicle and gas tax	2,805,082	2,370,136	434,946
County board of DD	2,112,926	2,047,689	65,237
Other nonmajor governmental funds	<u>6,517,728</u>	<u>5,900,546</u>	<u>617,182</u>
Total	<u>\$ 19,074,843</u>	<u>\$ 17,138,495</u>	<u>\$ 1,936,348</u>

General Fund

The general fund, the County's largest major fund, had revenues of \$8,658,401 in 2011, which represents a \$375,385 increase from 2010 revenues. The general fund had expenditures and other financing uses of \$8,068,593 in 2011, a decrease of \$560,109 or 6.49% from 2010. The increased revenues and decreased expenditures contributed to the general fund balance increase of \$589,808 or 11.76% from 2010 to 2011.

The table that follows assists in illustrating the revenues of the general fund during 2011 and 2010.

	2011 <u>Amount</u>	(Restated) 2010 <u>Amount</u>	Percentage <u>Change</u>
Revenues:			
Taxes	\$ 5,510,919	\$ 5,550,638	(0.72) %
Charges for services	890,361	962,834	(7.53) %
Licenses and permits	1,609	1,621	(0.74) %
Fines and forfeitures	76,662	60,820	26.05 %
Intergovernmental	1,173,988	1,286,352	(8.74) %
Investment income	114,036	109,552	4.09 %
Other	<u>890,826</u>	<u>473,838</u>	88.00 %
Total	<u>\$ 8,658,401</u>	<u>\$ 8,445,655</u>	2.52 %

The increase in fines and forfeitures was primarily due to an increase in the amount of municipal court fines collected by the County. The increase in investment income was due to a prior period adjustment made in 2011. The increase in other revenue was due to an increase in CORSA and medical premium reimbursements. All other revenue remained comparable to 2010.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

The table that follows assists in illustrating the expenditures of the general fund during 2011 and 2010.

	<u>2011</u> <u>Amount</u>	<u>Restated</u> <u>2010</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Expenditures:			
Current:			
General government			
Legislative and executive	\$ 1,968,225	\$ 2,086,550	(5.67) %
Judicial	1,406,709	1,423,748	(1.20) %
Public safety	2,700,091	2,664,513	1.34 %
Public works	279,431	18,867	1,381.06 %
Health	58,676	37,974	54.52 %
Human services	317,897	291,554	9.04 %
Economic development and assistance	169,006	154,215	9.59 %
Intergovernmental	172,449	285,907	(39.68) %
Other	369,994	108,415	241.28 %
Capital outlay	<u>13,515</u>	<u>13,515</u>	- %
Total	<u>\$ 7,455,993</u>	<u>\$ 7,085,258</u>	5.23 %

Expenditures have increased by 5.23% over 2010 for the County. The significant areas of change in expenditures are public works, health, intergovernmental and other. The increase in public works can be primarily attributed to an expense to reimburse the CDBG fund during 2011. The increase in health can be attributed to an increase in crippled child claims during 2011. The decrease in intergovernmental expenditures was due to a decrease in soil and water charges during 2011. The increase in other expenditures was due to a reserve insurance payment.

Country View Haven Fund

The country view haven fund, a County major fund, had revenues of \$1,863,453 in 2011. The country view haven fund had expenditures of \$1,634,278 in 2011. The country view haven fund balance increased \$229,175 or 12.69% from 2010 to 2011.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,199,971 in 2011. The motor vehicle and gas tax fund had expenditures of \$3,765,025 in 2011. The motor vehicle and gas tax fund balance increased \$434,946 or 18.35% from 2010 to 2011.

County Board of Developmental Disabled (DD) Fund

The county board of DD fund, a County major fund, had revenues of \$6,883,023 in 2011. The county board of DD fund had expenditures of \$6,817,786 in 2011. The county board of DD fund balance increased \$65,237 or 3.19% from 2010 to 2011.

Budgeting Highlights – General Fund

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

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

Original budgeted revenues were \$8,023,507. Final budgeted revenues were \$8,632,594. Actual revenues of \$8,506,771 were less than final budgeted revenues by \$125,823. Original budgeted expenditures and other financing uses were \$7,814,771. Final budgeted expenditures and other financing uses were \$8,554,498. Actual expenditures and other financing uses of \$7,998,367 were less than final budgeted expenditures by \$556,131. Actual expenditures and other financing uses being lower than final budgeted expenditures and other financing uses are a result of the County's conservative budgeting practices and cuts made to decrease spending during 2011.

Proprietary Funds

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

Sanitary Landfill Fund

The sanitary landfill fund, a major proprietary fund, had operating revenues of \$783,154 in 2011, a decrease of \$55,424 or 6.61% from 2010 revenues. The sanitary landfill fund had operating expenses of \$895,100 in 2011, an increase of \$38,571 or 4.50% from 2010. The sanitary landfill fund also reported \$318 in non-operating expenses during 2011. The net change in operating revenues and expenses contributed to the decrease in net assets of \$112,264 during 2011.

Capital Assets and Debt Administration

Capital Assets

At the end of 2011, the County had \$36,763,500 (net of accumulated depreciation) invested in land, buildings and improvements, machinery and equipment, vehicles and infrastructure. Of this total, \$35,743,175 was reported in governmental activities and \$1,020,325 was reported in business-type activities. The following table shows December 31, 2011 balances compared to December 31, 2010.

Capital Assets at December 31 (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,776,808	\$ 1,546,808	\$ 249,481	\$ 249,481	\$ 2,026,289	\$ 1,796,289
Building and improvements	9,564,037	10,262,254	85,116	8,969	9,649,153	10,271,223
Machinery and equipment	490,646	426,097	162,991	32,422	653,637	458,519
Vehicles	2,317,778	2,075,280	67,977	70,382	2,385,755	2,145,662
Infrastructure	21,593,906	21,652,203	454,760	-	22,048,666	21,652,203
Construction in progress	-	-	-	699,157	-	699,157
Total	<u>\$ 35,743,175</u>	<u>\$ 35,962,642</u>	<u>\$ 1,020,325</u>	<u>\$ 1,060,411</u>	<u>\$ 36,763,500</u>	<u>\$ 37,023,053</u>

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

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

Debt Administration

At December 31, 2011 the County had \$3,192,495 in general obligation bonds, special assessment bonds, revenue bonds, OWDA loans, mortgage loan and an estimated liability for landfill/post closure. Of this total \$80,512 is due within one year and \$3,111,983 is due in greater than one year. The following table summarizes the outstanding debt at December 31, 2011.

Outstanding Long-Term Obligations, at Year End

	Governmental Activities 2011	Business-type Activities 2011	Total 2011
Long-term obligations:			
General obligation bonds	\$ 16,000	\$ -	\$ 16,000
Special assessment bonds	98,493	-	98,493
OWDA loans	85,522	-	85,522
Mortgage loan	44,766	-	44,766
Estimated liability for landfill closure/post closure	-	2,947,714	2,947,714
Total	<u>\$ 244,781</u>	<u>\$ 2,947,714</u>	<u>\$ 3,192,495</u>

At December 31, 2011 the County's overall legal debt margin was \$13,255,296. See Note 12 to the basic financial statements for detail on governmental activities and business-type activities long term debt.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for 2012.

The County's unemployment rate is 9.1%, compared to the 8.1% state average and the 8.5% national average.

State funding is expected to decline over the next few years with the elimination of reimbursements associate with the repeal of tangible personal property tax, the slashing of the Local Government Fund by 50 percent over two-years and the elimination of the local share of dealers in intangible taxes. Additionally legislature passed legislation to eliminate the estate tax effective 2013.

These economic factors were considered in preparing the County's budget for fiscal year 2012. Budgeted revenues and other financing sources in the general fund for 2012 is \$8,004,405. With the continuation of conservative budgeting practices and the increase in the local sales tax, the County's financial position should remain stable in future years.

Contacting the County's Financial Management

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

HENRY COUNTY, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 16,787,219	\$ 263,749	\$ 17,050,968
Cash in segregated accounts	34,337	350	34,687
Receivables:			
Sales taxes	985,542	-	985,542
Property and other taxes	5,848,117	-	5,848,117
Accounts	89,078	2,289	91,367
Due from other governments	4,354,084	-	4,354,084
Special assessments	570,085	-	570,085
Accrued interest	4,326	548	4,874
Loans	1,380,106	-	1,380,106
Prepayments	238,579	2,447	241,026
Materials and supplies inventory	151,290	194	151,484
Restricted assets:			
Equity in pooled cash and cash equivalents . .	-	1,285,566	1,285,566
Capital assets:			
Land	1,776,808	249,481	2,026,289
Depreciable capital assets, net	33,966,367	770,844	34,737,211
Total capital assets, net	<u>35,743,175</u>	<u>1,020,325</u>	<u>36,763,500</u>
Total assets	<u>66,185,938</u>	<u>2,575,468</u>	<u>68,761,406</u>
Liabilities:			
Accounts payable	363,204	47,534	410,738
Contracts payable	61,186	-	61,186
Accrued wages and benefits payable	372,807	5,480	378,287
Pension obligation payable	214,493	767	215,260
Due to other governments	233,718	25,068	258,786
Deposits held and due to others	34,193	-	34,193
Amount to be repaid to claimants	68,390	-	68,390
Accrued interest payable	2,855	-	2,855
Unearned revenue	5,335,714	-	5,335,714
Long-term liabilities:			
Due within one year	845,309	7,330	852,639
Due in more than one year	1,215,486	2,974,973	4,190,459
Total liabilities	<u>8,747,355</u>	<u>3,061,152</u>	<u>11,808,507</u>
Net assets:			
Invested in capital assets, net of related debt	35,498,394	1,020,325	36,518,719
Restricted for:			
Capital projects	756,213	-	756,213
Debt service	163,712	-	163,712
Public safety programs	322,585	-	322,585
Public works projects	4,172,228	-	4,172,228
Human services	3,640,510	-	3,640,510
Health programs	2,797,610	-	2,797,610
Economic development programs	2,161,949	-	2,161,949
Other purposes	1,837,976	-	1,837,976
Unrestricted (deficit)	<u>6,087,406</u>	<u>(1,506,009)</u>	<u>4,581,397</u>
Total net assets	<u>\$ 57,438,583</u>	<u>\$ (485,684)</u>	<u>\$ 56,952,899</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Legislative and executive	\$ 2,699,427	\$ 1,429,097	\$ 840	\$ -
Judicial	1,486,018	353,055	1,057	-
Public safety	3,085,403	212,547	194,664	-
Public works	5,029,734	137,304	4,214,657	907,332
Health	1,868,426	889,031	104,988	-
Human services	11,353,050	599,681	5,946,757	-
Economic development and assistance	646,451	-	251,022	-
Transportation	550,624	-	-	-
Intergovernmental	172,449	-	-	-
Other	463,417	1,328	76,121	-
Interest and fiscal charges	18,003	-	-	-
Total governmental activities	<u>27,373,002</u>	<u>3,622,043</u>	<u>10,790,106</u>	<u>907,332</u>
Business-type activities:				
Sanitary landfill	900,274	783,154	-	-
Tower fund	35,165	24,805	-	-
Hahn Center	71,983	15,006	-	-
Monroe Township landfill fees	8,104	9,075	-	-
Total business-type activities	<u>1,015,526</u>	<u>832,040</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 28,388,528</u>	<u>\$ 4,454,083</u>	<u>\$ 10,790,106</u>	<u>\$ 907,332</u>

General revenues:

Property taxes levied for:

- General purposes
- Human services - County Board of DD.
- Human services - Senior Center.
- Health - Country View Haven
- Sales taxes
- Grants and entitlements not restricted to specific programs.
- Investment earnings
- Miscellaneous

Total general revenues

Change in net assets

Net assets (deficit) at beginning of year (restated)

Net assets (deficit) at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,269,490)	\$ -	\$ (1,269,490)
(1,131,906)	-	(1,131,906)
(2,678,192)	-	(2,678,192)
229,559	-	229,559
(874,407)	-	(874,407)
(4,806,612)	-	(4,806,612)
(395,429)	-	(395,429)
(550,624)	-	(550,624)
(172,449)	-	(172,449)
(385,968)	-	(385,968)
(18,003)	-	(18,003)
(12,053,521)	-	(12,053,521)
-	(117,120)	(117,120)
-	(10,360)	(10,360)
-	(56,977)	(56,977)
-	971	971
-	(183,486)	(183,486)
(12,053,521)	(183,486)	(12,237,007)
1,617,952	-	1,617,952
2,879,174	-	2,879,174
414,423	-	414,423
872,742	-	872,742
4,015,220	-	4,015,220
2,365,752	-	2,365,752
166,352	4,856	171,208
1,568,340	-	1,568,340
13,899,955	4,856	13,904,811
1,846,434	(178,630)	1,667,804
55,592,149	(307,054)	55,285,095
\$ 57,438,583	\$ (485,684)	\$ 56,952,899

HENRY COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 5,114,922	\$ 2,098,641	\$ 2,183,401	\$ 2,239,893
Cash in segregated accounts	-	144	-	666
Receivables:				
Sales taxes	985,542	-	-	-
Property and other taxes	1,799,762	825,836	-	2,866,457
Accounts	25,828	46,140	50	12,775
Due from other governments.	389,295	59,130	2,241,708	276,193
Special assessments	-	-	-	-
Accrued interest	3,000	-	902	-
Loans	-	-	-	-
Due from other funds	963	-	14,564	-
Prepayments	38,718	8,348	16,970	151,843
Materials and supplies inventory.	25,163	-	80,483	36,023
Total assets	<u><u>\$ 8,383,193</u></u>	<u><u>\$ 3,038,239</u></u>	<u><u>\$ 4,538,078</u></u>	<u><u>\$ 5,583,850</u></u>
Liabilities:				
Accounts payable.	\$ 74,711	\$ 42,943	\$ 30,609	\$ 72,268
Contracts payable.	-	-	23,727	-
Accrued wages and benefits payable	93,511	35,878	36,732	127,164
Compensated absences payable	-	-	-	1,747
Due to other funds	5,968	63	-	22,060
Due to other governments	55,224	18,198	19,894	103,184
Pension obligation payable	60,189	20,696	22,824	61,932
Deposits held and due to others	-	-	-	666
Amount to be repaid to claimants.	68,390	-	-	-
Deferred revenue	782,779	130,823	1,599,210	464,292
Unearned revenue	1,638,809	754,143	-	2,617,611
Total liabilities	<u><u>2,779,581</u></u>	<u><u>1,002,744</u></u>	<u><u>1,732,996</u></u>	<u><u>3,470,924</u></u>
Fund balances:				
Nonspendable	63,881	8,348	97,453	187,866
Restricted.	-	2,027,147	2,707,629	1,925,060
Committed	-	-	-	-
Assigned	25,564	-	-	-
Unassigned	5,514,167	-	-	-
Total fund balances.	<u><u>5,603,612</u></u>	<u><u>2,035,495</u></u>	<u><u>2,805,082</u></u>	<u><u>2,112,926</u></u>
Total liabilities and fund balances	<u><u>\$ 8,383,193</u></u>	<u><u>\$ 3,038,239</u></u>	<u><u>\$ 4,538,078</u></u>	<u><u>\$ 5,583,850</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 5,150,362	\$ 16,787,219
33,527	34,337
-	985,542
356,062	5,848,117
4,285	89,078
1,387,758	4,354,084
570,085	570,085
424	4,326
1,380,106	1,380,106
24,225	39,752
22,700	238,579
9,621	151,290
<u>\$ 8,939,155</u>	<u>\$ 30,482,515</u>
\$ 142,673	\$ 363,204
37,459	61,186
79,522	372,807
-	1,747
11,661	39,752
37,218	233,718
48,852	214,493
33,527	34,193
-	68,390
1,705,364	4,682,468
325,151	5,335,714
<u>2,421,427</u>	<u>11,407,672</u>
32,321	389,869
6,117,434	12,777,270
367,973	367,973
-	25,564
-	5,514,167
<u>6,517,728</u>	<u>19,074,843</u>
<u>\$ 8,939,155</u>	<u>\$ 30,482,515</u>

HENRY COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011

Total governmental fund balances		\$	19,074,843
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			35,743,175
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	507,245	
Sales taxes receivable		362,278	
Special assessments receivable		570,085	
Intergovernmental receivable		3,242,860	
Total		4,682,468	4,682,468
On the statement of net assets interest is accrued on outstanding loans and bonds whereas in governmental funds, interest is accrued when due.			(2,855)
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		(16,000)	
Special assessment bonds payable		(98,493)	
OWDA loans payable		(85,522)	
Mortgage loans payable		(44,766)	
Compensated absences payable		(1,814,267)	
Total		(2,059,048)	(2,059,048)
Net assets of governmental activities		\$	57,438,583

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Country View Haven	Motor Vehicle and Gas Tax	County Board of DD
Revenues:				
Sales taxes	\$ 3,652,942	\$ -	\$ -	\$ -
Property and other taxes	1,857,977	871,228	-	2,869,978
Charges for services.	890,361	750,854	-	4,301
Licenses and permits	1,609	-	-	-
Fines and forfeitures	76,662	-	55,264	-
Intergovernmental.	1,173,988	203,118	4,136,538	3,942,165
Special assessments	-	-	-	-
Investment income.	114,036	-	8,091	-
Rental income	49,428	34,995	-	-
Contributions and donations.	-	500	-	20,248
Other	841,398	2,758	78	46,331
Total revenues	8,658,401	1,863,453	4,199,971	6,883,023
Expenditures:				
Current:				
General government:				
Legislative and executive	1,968,225	-	-	-
Judicial.	1,406,709	-	-	-
Public safety	2,700,091	-	-	-
Public works	279,431	-	3,765,025	-
Health	58,676	1,634,278	-	-
Human services.	317,897	-	-	6,810,064
Economic development and assistance . .	169,006	-	-	-
Transportation	-	-	-	-
Intergovernmental.	172,449	-	-	-
Other	369,994	-	-	-
Capital outlay	13,515	-	-	-
Debt service:				
Principal retirement.	-	-	-	6,753
Interest and fiscal charges	-	-	-	969
Total expenditures	7,455,993	1,634,278	3,765,025	6,817,786
 Excess of revenues over expenditures	 1,202,408	 229,175	 434,946	 65,237
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out).	(612,600)	-	-	-
Total other financing sources (uses)	(612,600)	-	-	-
 Net change in fund balances	 589,808	 229,175	 434,946	 65,237
 Fund balances at beginning of year (restated)	 5,013,804	 1,806,320	 2,370,136	 2,047,689
Fund balances at end of year	\$ 5,603,612	\$ 2,035,495	\$ 2,805,082	\$ 2,112,926

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,652,942
412,463	6,011,646
1,346,191	2,991,707
94,872	96,481
72,720	204,646
4,605,146	14,060,955
327,588	327,588
44,225	166,352
340	84,763
14,746	35,494
677,775	1,568,340
<u>7,596,066</u>	<u>29,200,914</u>

456,360	2,424,585
42,772	1,449,481
404,104	3,104,195
540,725	4,585,181
140,488	1,833,442
4,214,588	11,342,549
477,445	646,451
550,624	550,624
561,973	734,422
-	369,994
77,975	91,490
108,107	114,860
16,323	17,292
<u>7,591,484</u>	<u>27,264,566</u>

<u>4,582</u>	<u>1,936,348</u>
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638,016	638,016
(25,416)	(638,016)
<u>612,600</u>	<u>-</u>

617,182	1,936,348
5,900,546	17,138,495
<u>\$ 6,517,728</u>	<u>\$ 19,074,843</u>

HENRY COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - total governmental funds \$ 1,936,348

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

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

Capital asset additions	\$	2,079,235	
Current year depreciation		(2,282,829)	
Total			(203,594)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (15,873)

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

Property taxes		17,091	
Sales taxes		362,278	
Special assessments		106,901	
Intergovernmental revenues		(467,748)	
Total			18,522

Repayment of bond, loan and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 114,860

In the statement of activities, interest is accrued on outstanding loans and bonds, whereas in governmental funds, an interest expenditure is reported when due. (711)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (3,118)

Change in net assets of governmental activities \$ 1,846,434

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 2,052,300	\$ 3,722,585	\$ 3,630,416	\$ (92,169)
Property and other taxes	3,400,000	2,089,454	2,037,720	(51,734)
Charges for services	816,500	765,434	746,482	(18,952)
Licenses and permits	1,560	1,650	1,609	(41)
Fines and forfeitures	61,500	72,182	70,395	(1,787)
Intergovernmental	942,000	1,019,038	993,807	(25,231)
Investment income	151,741	65,140	135,516	70,376
Rental income	-	50,683	49,428	(1,255)
Other	597,906	846,428	841,398	(5,030)
Total revenues	8,023,507	8,632,594	8,506,771	(125,823)
Expenditures:				
Current:				
General government:				
Legislative and executive	2,636,099	2,089,469	1,953,631	135,838
Judicial	940,490	1,413,243	1,321,368	91,875
Public safety	1,267,836	2,887,998	2,700,248	187,750
Public works	-	302,692	283,014	19,678
Health	58,025	66,975	62,621	4,354
Human services	358,921	357,749	334,492	23,257
Economic development and assistance	-	180,660	168,915	11,745
Intergovernmental	288,608	184,439	172,449	11,990
Other	1,860,292	401,624	375,514	26,110
Capital outlay	-	14,455	13,515	940
Total expenditures	7,410,271	7,899,304	7,385,767	513,537
Excess of revenues over expenditures	613,236	733,290	1,121,004	387,714
Other financing uses:				
Transfers (out)	(404,500)	(655,194)	(612,600)	42,594
Total other financing uses	(404,500)	(655,194)	(612,600)	42,594
Net change in fund balances	208,736	78,096	508,404	430,308
Fund balances at beginning of year (restated)	4,160,345	4,160,345	4,160,345	-
Prior year encumbrances appropriated	88,967	88,967	88,967	-
Fund balance at end of year	\$ 4,458,048	\$ 4,327,408	\$ 4,757,716	\$ 430,308

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTRY VIEW HAVEN
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes.	\$ 950,000	\$ 960,972	\$ 937,713	\$ (23,259)
Charges for services.	525,000	762,458	744,005	(18,453)
Intergovernmental.	92,858	126,216	123,161	(3,055)
Rental income.	27,000	35,863	34,995	(868)
Contributions and donations.	500	512	500	(12)
Other	5,000	2,902	2,832	(70)
Total revenues	<u>1,600,358</u>	<u>1,888,923</u>	<u>1,843,206</u>	<u>(45,717)</u>
Expenditures:				
Current:				
Health	<u>1,728,544</u>	<u>1,728,544</u>	<u>1,618,739</u>	<u>109,805</u>
Total expenditures	<u>1,728,544</u>	<u>1,728,544</u>	<u>1,618,739</u>	<u>109,805</u>
Net change in fund balances	(128,186)	160,379	224,467	64,088
Fund balances at beginning of year	1,772,552	1,772,552	1,772,552	-
Prior year encumbrances appropriated . .	15,923	15,923	15,923	-
Fund balance at end of year	<u>\$ 1,660,289</u>	<u>\$ 1,948,854</u>	<u>\$ 2,012,942</u>	<u>\$ 64,088</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MOTOR VEHICLE AND GAS TAX
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Fines and forfeitures	\$ 40,000	\$ 53,099	\$ 52,231	(868)
Intergovernmental.	4,186,265	4,191,750	4,123,789	(67,961)
Investment income.	14,500	9,087	8,939	(148)
Other	19,681	19,681	14,704	(4,977)
Total revenues	<u>4,260,446</u>	<u>4,273,617</u>	<u>4,199,663</u>	<u>(73,954)</u>
Expenditures:				
Current:				
Public works	4,676,245	4,634,557	4,246,478	388,079
Total expenditures	<u>4,676,245</u>	<u>4,634,557</u>	<u>4,246,478</u>	<u>388,079</u>
Net change in fund balances	(415,799)	(360,940)	(46,815)	314,125
Fund balances at beginning of year	1,574,378	1,574,378	1,574,378	-
Prior year encumbrances appropriated	415,799	415,799	415,799	-
Fund balance at end of year	<u>\$ 1,574,378</u>	<u>\$ 1,629,237</u>	<u>\$ 1,943,362</u>	<u>\$ 314,125</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY BOARD OF DD
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Property and other taxes.	\$ 3,115,000	\$ 3,240,024	3,254,778	\$ 14,754
Intergovernmental.	2,821,760	3,515,521	3,531,529	16,008
Contributions and donations	11,500	20,156	20,248	92
Other	25,000	48,183	48,402	219
Total revenues	5,973,260	6,823,884	6,854,957	31,073
Expenditures:				
Current:				
Human services.	6,282,960	7,417,960	7,031,113	386,847
Total expenditures	6,282,960	7,417,960	7,031,113	386,847
Net change in fund balances	(309,700)	(594,076)	(176,156)	417,920
Fund balances at beginning of year	2,125,642	2,125,642	2,125,642	-
Prior year encumbrances appropriated	54,700	54,700	54,700	-
Fund balance at end of year	\$ 1,870,642	\$ 1,586,266	\$ 2,004,186	\$ 417,920

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents . . .	\$ 191,339	\$ 72,410	\$ 263,749
Cash with fiscal and escrow agents.	350	-	350
Receivables (net of allowance for uncollectibles):			
Accounts.	2,193	96	2,289
Accrued interest	548	-	548
Restricted assets:			
Equity in pooled cash and cash equivalents .	1,285,566	-	1,285,566
Prepayments	2,447	-	2,447
Materials and supplies inventory.	194	-	194
Total current assets	1,482,637	72,506	1,555,143
Noncurrent assets:			
Capital assets:			
Land and construction in progress.	249,481	-	249,481
Depreciable capital assets, net.	770,844	-	770,844
Total capital assets, net.	1,020,325	-	1,020,325
Total noncurrent assets	1,020,325	-	1,020,325
Total assets	2,502,962	72,506	2,575,468
Liabilities:			
Current liabilities:			
Accounts payable.	45,747	1,787	47,534
Accrued wages and benefits payable	5,480	-	5,480
Compensated absences payable	7,330	-	7,330
Due to other governments	21,227	3,841	25,068
Pension obligation payable	767	-	767
Total current liabilities	80,551	5,628	86,179
Long-term liabilities:			
Compensated absences payable	27,259	-	27,259
Estimated accrued liability for landfill closure and post closure costs	2,947,714	-	2,947,714
Total long-term liabilities	2,974,973	-	2,974,973
Total liabilities	3,055,524	5,628	3,061,152
Net assets:			
Invested in capital assets, net of related debt. . .	1,020,325	-	1,020,325
Unrestricted (deficit)	(1,572,887)	66,878	(1,506,009)
Total net assets (deficit)	\$ (552,562)	\$ 66,878	\$ (485,684)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Operating revenues:			
Charges for services	\$ 783,154	\$ 48,886	\$ 832,040
Total operating revenues.	783,154	48,886	832,040
Operating expenses:			
Personal services	220,055	-	220,055
Contract services.	330,113	51,165	381,278
Materials and supplies.	176,927	5,100	182,027
Depreciation.	34,912	-	34,912
Landfill closure and post-closure costs . . .	122,853	-	122,853
Utilities	10,240	30,762	41,002
Other	-	28,225	28,225
Total operating expenses.	895,100	115,252	1,010,352
Operating loss	(111,946)	(66,366)	(178,312)
Nonoperating revenues (expenses):			
Loss on sale of capital assets	(5,174)	-	(5,174)
Interest income.	4,856	-	4,856
Total nonoperating revenues (expenses). . . .	(318)	-	(318)
Change in net assets	(112,264)	(66,366)	(178,630)
Net assets (deficit) at beginning of year . . .	(440,298)	133,244	(307,054)
Net assets (deficit) at end of year	\$ (552,562)	\$ 66,878	\$ (485,684)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sanitary Landfill</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sales/charges for services.	\$ 782,880	\$ 48,878	\$ 831,758
Cash payments for personal services.	(217,190)	-	(217,190)
Cash payments for contractual services	(265,086)	(52,005)	(317,091)
Cash payments for materials and supplies	(211,684)	(2,675)	(214,359)
Cash payments for utilities	(10,240)	(30,762)	(41,002)
Cash payments for other expenses	-	(28,225)	(28,225)
Net cash provided by (used in) operating activities . . .	<u>78,680</u>	<u>(64,789)</u>	<u>13,891</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(130,157)	-	(130,157)
Net cash used in capital and related financing activities.	<u>(130,157)</u>	<u>-</u>	<u>(130,157)</u>
Cash flows from investing activities:			
Interest received	5,559	-	5,559
Net cash provided by investing activities	<u>5,559</u>	<u>-</u>	<u>5,559</u>
Net decrease in cash and cash equivalents	(45,918)	(64,789)	(110,707)
Cash and cash equivalents at beginning of year	1,523,173	137,199	1,660,372
Cash and cash equivalents at end of year	<u>\$ 1,477,255</u>	<u>\$ 72,410</u>	<u>\$ 1,549,665</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (111,946)	\$ (66,366)	\$ (178,312)
Adjustments:			
Depreciation	34,912	-	34,912
Changes in assets and liabilities:			
Increase in accounts receivable	(379)	(8)	(387)
Decrease in due from other funds.	105	-	105
Decrease in materials and supplies inventory	84	-	84
Decrease in prepayments	463	-	463
Increase in accounts payable	31,915	376	32,291
Increase in accrued wages and benefits	74	-	74
Increase (decrease) in due to other governments	(1,723)	1,209	(514)
Increase in pension obligation payable	10	-	10
Increase in landfill closure and postclosure care liability	122,853	-	122,853
Increase in compensated absences payable	2,312	-	2,312
Net cash provided by (used in) operating activities	<u>\$ 78,680</u>	<u>\$ (64,789)</u>	<u>\$ 13,891</u>

At December 31, 2010, the sanitary landfill purchased \$130,157 in capital assets on account. During 2011, a fully depreciated asset in the amount of \$53,950 was transferred into the sanitary landfill fund from the governmental funds and an adjustment of \$5,174 was made to construction in progress.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2011**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 6,487,332
Cash in segregated accounts	141,086
Receivables:	
Property and other taxes	23,550,785
Due from other governments	1,258,385
Special assessments	338,882
Accrued interest.	175
	<hr/>
Total assets	\$ 31,776,645
	<hr/> <hr/>
Liabilities:	
Accounts payable	\$ 1,008
Due to other governments	26,970,147
Deposits held and due to others	4,109,342
Undistributed assets	555,062
Accrued interest payable.	141,086
	<hr/>
Total liabilities.	\$ 31,776,645
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board ("FASB") guidance issued on or before November 30, 1989, to its governmental activities, business-type activities and proprietary funds provided it does not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB guidance issued after November 30, 1989 to its business-type activities and proprietary funds, subject to this same limitation. The County has elected not to apply this FASB guidance.

The most significant of the County's accounting policies are described below.

A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB statement No. 39 "Determining Whether Certain Organizations are Component Units". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statements No. 14 and No. 39 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's Board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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

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

JOINTLY GOVERNED ORGANIZATIONS

Maumee Valley Planning Organization

The Maumee Valley Planning Organization (MVPO) is a jointly governed organization among Henry, Defiance, Fulton, Paulding, and Williams Counties. The MVPO is an organization established to improve the social and economic conditions of the region through development and conservation. The MVPO is governed by a fifteen member executive council composed of the three county commissioners, the mayor of the largest municipality, three mayors selected by the committee of mayors that represent the incorporated cities and villages, the township trustee association president, the regional planning commission chairman, and two members at large to represent business, industry, labor, agricultural, low income, minority groups, education, and consumer protection activities. The County provides resources to the executive council based on a membership fee and services provided to the County. The MVPO exercises total control over the operation of MVPO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the MVPO. In 2011, Henry County contributed \$88,953 for the MVPO's operations. Information can be obtained from Brett J. Kolb, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

Fulton-Henry Counties Council

The County is a member of the Fulton-Henry Counties Council (the "Council") which is a jointly governed organization between Fulton and Henry Counties. The Council was formed under Ohio Revised Code Section 167.04 as a regional council of governments. The purpose of the Council is to foster cooperation among the two member counties in all areas of services. The County did not make any contributions to the Council in 2011.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

Corrections Commission of Northwest Ohio

The Corrections Commission of Northwest Ohio (CCNO) is a jointly governed organization among Henry, Defiance, Fulton, Lucas and Williams Counties and the City of Toledo. The CCNO was established to provide jail space for convicted criminals in the five counties and the City of Toledo and to provide a correctional center for the inmates. The CCNO was created in 1986 and occupancy started in 1991. The commission team consists of eighteen members; one judge, one chief law enforcement officer and one county commissioner or administrative official from each entity. The commission team exercises total control over the operation of the CCNO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CCNO. In 2011, Henry County contributed \$830,181 for the CCNO's operations. Information can be obtained from William Ott, Fiscal Manager, Corrections Commission of Northwest Ohio, 3151 County Road 2425, Stryker, Ohio 43557.

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

The Four County Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) is a jointly governed organization among Henry, Defiance, Fulton, and Williams Counties to provide alcohol, drug addiction, and mental health services to individuals in the four counties. The Governing Board of ADAMHS consists of eighteen members; four members appointed by the Ohio Director of Alcohol and Drug Addiction Services, four members appointed by the Ohio Director of Mental Health Services, Defiance and Fulton County Commissioners appointing three members each and Henry and Williams County Commissioners appointing two members each. The Governing Board exercises total control over the operation of the ADAMHS including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the ADAMHS. In 2011, Henry County contributed \$626,445 for the ADAMHS operations. Information can be obtained from Marlene J. Goodwin, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

Quadco Rehabilitation Center, Administrative Board

The Quadco Rehabilitation Center (Quadco) is a jointly governed organization among Henry, Defiance, Fulton, and Williams Counties. Quadco Rehabilitation Center is a nonprofit corporation which provides services and facilities for training physically and mentally disabled persons. Quadco is responsible for contracting with various agencies to obtain funding to operate the organization. Quadco is governed by an eight-member Board composed of two appointees made by each of the four County Boards Developmental Disabilities (County Boards of DD). This Board, in conjunction with the County Boards of DD, assesses the needs of adult mentally challenged and developmentally disabled residents of each county and sets priorities based on available funds. The County provides resources to the Board based on units of service provided to the County. Quadco exercises total control over the operation of Quadco including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for Quadco. In 2011, Henry County contributed \$208,268 for Quadco's operations. Information can be obtained from Terry Fruth, CFO, Quadco Rehabilitation Center, 427 North Defiance Street, Stryker, Ohio 43557.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center

The Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center (Center) is a jointly governed organization among Henry, Defiance, Fulton and Williams Counties. The Center's Board of Trustees consists of thirteen members; three from each county and one at-large member. The Board of Trustees exercises total control over the operation of the Center including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the Center. In 2011, Henry County contributed \$172,667 for the Center's operations. Information can be obtained from Brett J. Kolb, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

Henry County Community Improvement Corporation

The Community Improvement Corporation of Henry County (CIC) is a jointly governed organization among Henry County, the City of Napoleon, and the respective villages and townships of Henry County. The purpose of the CIC is to promote and encourage the establishment and growth of industrial, commercial, distribution, and research facilities within member subdivisions. The CIC is governed by a Board of Trustees consisting of fifteen self-appointed members. Not less than two-fifths of the members are to be composed of elected officials. Five of these trustees include: a member of the Board of County Commissioners of Henry County, the Auditor of Henry County, the Mayor or his/her designated elected official of the City of Napoleon, another Mayor or his/her designated elected official from any Village in the County and the President of the Henry County Trustees or his/her designated elected official. The remaining members represent private residents of Henry County or employees of Henry County businesses or firms. The County provides resources to the Board of trustees based on a membership fee. The CIC exercises total control over the operation of CIC including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CIC. In 2011, Henry County contributed \$61,800 for the CIC's operations. Information can be obtained from Amanda Griffith, Executive Assistant, 104 E. Washington Street, Suite 301, Napoleon, Ohio 43545.

Regional Port Authority of Northwest Ohio - The Regional Port Authority of Northwest Ohio (the "Authority") was created in June 2008 and is a jointly governed organization between Defiance, Henry, Paulding and Fulton Counties. The Authority was established pursuant to Ohio Revised Code Section 4582.21. The purpose of the Authority is to enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture, research and the creation and preservation of jobs and employment opportunities.

The Authority is governed by a Board consisting of twelve appointed members. Each member county's Board of County Commissioners shall appoint three members. Upon the expiration of the initial terms, each subsequent member of the Board shall serve a four year term commencing on January 1 of each year.

Any county may withdraw from the Authority by resolution of that county's Board of County Commissioners. Upon withdrawal, such county shall not be entitled to any distribution from the Authority and forfeits its rights to receive any funds it contributed to the Authority. The Authority may be dissolved by adoption of a resolution by all member counties' Board of County Commissioners. Upon dissolution and after paying all expenses, costs and debts of the Authority, any real or personal property given to the Authority shall be returned to the county from which it was received, and any balances remaining in the funds of the Authority, and remaining real or personal property of the Authority, shall be distributed to the counties equally.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

During 2011, the County did not make any contributions to the Authority. Financial information of the Authority can be obtained by contacting Jerry J. Arkebauer, Executive Director, 1300 E. 2nd Street, Suite 200, Defiance, Ohio 43512.

RELATED ORGANIZATIONS

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

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

B. Basis of Presentation and Measurement Focus

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

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

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All 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 statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

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

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

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

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

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

PROPRIETARY FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2011, are recorded as deferred revenue in the governmental funds.

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

E. Budgetary Process

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

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the fall with respective officeholders and department heads.
2. Shortly after the beginning of the year, the Board of County Commissioners passes an appropriation resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.
3. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The revised budget figures reflected in the budgetary statements include the prior year appropriations carried over for liquidations against prior year encumbrances and any amendments to the original appropriation resolution.
5. The Board of County Commissioners appropriate at the fund, department and line item. For funds which are directly appropriated by the Board of County Commissioners, the transfer of appropriations at the fund, department and line item requires a resolution signed by at least two Commissioners.
6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2011.
7. Unencumbered appropriations lapse at year end. Contracts and purchase-type encumbrances outstanding at year end carry their appropriations with them into the next year. Contracts and purchase-type encumbrances outstanding at year end are recorded as expenditures on the budget basis of accounting.
8. The budgetary procedures described herein apply to all funds except the agency funds.

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

F. Cash and Investments

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2011 amounted to \$114,036 which includes \$84,868 assigned from other County funds.

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

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

G. Inventories of Materials and Supplies

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

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

H. Capital Assets

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

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

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

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the “vesting” method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2011, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

K. Accrued Liabilities and Long-term Obligations

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

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

L. Interfund Transactions

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

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. The County had no interfund loans receivable/payable or advances to/from other funds outstanding at December 31, 2011.

All other outstanding balances between funds are reported as "due to/from other funds". These amounts are eliminated in the statement of net assets, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "internal balances".

M. Fund Balance Reserves

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

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Commissioners (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

N. Net Assets

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

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

O. Restricted Assets

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County administration and that are either unusual in nature or infrequent in occurrence. No extraordinary transactions or special items occurred during 2011.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Q. Estimates

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

R. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the County has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the County.

B. Restatement of Net Assets

The net assets of the governmental activities have been restated due to an adjustment to increase the equity in pooled cash and cash equivalents. Equity in pooled cash and cash equivalents was previously understated by the County due to only the original value of the certificates of deposit being recorded. The following is the effect on net assets previously reported as of December 31, 2010:

	Governmental <u>Activities</u>
Net assets, December 31, 2010	\$ 54,894,047
Adjustments to equity in pooled cash and cash equivalents	<u>698,102</u>
Restated net assets, January 1, 2011	<u>\$ 55,592,149</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassifications / Restatement of Fund Balance

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. Additionally, the County was not recognizing investment income on three of its certificates of deposits that reinvested interest each year at the maturity and renewal date. Thus, income was not properly recognized in the County's financial statements and resulted in the understatement of the general fund balance.

These fund reclassifications and restatement of fund balance had the following effect on the County's governmental fund balance as previously reported:

	<u>General</u>	<u>County View Haven</u>	<u>Motor Vehicle and Gas</u>	<u>County Board of DD</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 4,278,919	\$ 1,806,320	\$ 2,370,136	\$ 2,047,689	\$ 5,937,329	\$ 16,440,393
Fund reclassifications:						
Certificate of title administration	31,182	-	-	-	(31,182)	-
Recorder equipment, computer fund	<u>5,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,601)</u>	<u>-</u>
Total fund reclassifications	<u>36,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,783)</u>	<u>-</u>
Restatement for investment income	<u>698,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>698,102</u>
Restated fund balance at January 1, 2011	<u>\$ 5,013,804</u>	<u>\$ 1,806,320</u>	<u>\$ 2,370,136</u>	<u>\$ 2,047,689</u>	<u>\$ 5,900,546</u>	<u>\$ 17,138,495</u>

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years the general fund included certain funds that are legally budgeted in separate funds on a budgetary basis. The County has elected to report only the legally budgeted general fund in the budgetary statements; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund budgetary-basis fund balance at December 31, 2010 is as follows:

Budgetary Basis

	<u>General Fund</u>
Balance at December 31, 2010	\$ 3,500,147
Restatement for investment income	698,102
Funds budgeted elsewhere	<u>(37,904)</u>
Restated balance at January 1, 2011	<u>\$ 4,160,345</u>

D. Deficit Fund Balances/Net Assets

<u>Major enterprise fund</u>	<u>Deficit</u>
Sanitary landfill	\$ 552,562

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

This fund complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At year end, the County had \$3,836 in undeposited cash on hand, of which \$1,436 is included on the financial statements as "cash in segregated accounts" and \$2,400 is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents".

B. Cash in Segregated Accounts

At year end, the County had \$175,773 cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the amount of "deposits with financial institutions" below.

C. Restricted Assets

The County had \$1,285,566 in restricted assets associated with the County landfill. This amount is included in the amount of "deposits with financial institutions" below.

D. Deposits with Financial Institutions

At December 31, 2011, the carrying amount of all County deposits was \$24,995,803. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$24,250,404 of the County's bank balance of \$25,333,923 was exposed to custodial risk as discussed below, while \$1,083,519 was covered by the FDIC.

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 24,995,803
Cash on hand	3,836
Total	<u>\$ 24,999,639</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 16,821,556
Business-type activities	1,549,665
Agency funds	<u>6,628,418</u>
Total	<u>\$ 24,999,639</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2011, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental fund from:</u>	
General fund	\$ 612,600
Nonmajor governmental funds	<u>25,416</u>
Total	<u>\$ 638,016</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The County's transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Due from/to other funds consisted of the following at December 31, 2011, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 963
Motor vehicle and gas tax	General	5,968
Motor vehicle and gas tax	Country view haven	63
Motor vehicle and gas tax	Nonmajor governmental funds	8,533
Nonmajor governmental funds	County Board of DD	22,060
Nonmajor governmental funds	Nonmajor governmental funds	<u>2,165</u>
Total due to/due from other funds		<u>\$ 39,752</u>

Amounts due from/to other funds represent amounts owed between funds for goods or services provided. The balances resulted from the time lag between the dates that payments between the funds are made. Due to/from other funds between governmental funds are eliminated on the statement of net assets. Amounts due to/from other funds between governmental activities and business-type activities are reported as an internal balance on the statement of net assets.

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2011 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

HENRY COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all County operations for the year ended December 31, 2011 was \$14.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 522,530,520
Commercial/industrial/mineral	61,755,650

Public utility

Real	534,530
Personal	<u>17,068,960</u>

Total assessed value	<u>\$ 601,889,660</u>
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NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited to the general fund. A receivable is recognized at year end for amounts that will be received from sales which occurred during 2011 and amounts that are measurable and available at year end are accrued as revenue. Amounts received outside the available period are recorded as deferred revenue on the fund financial statements and as revenue on the government-wide financial statements. Sales and use tax for 2011 amounted to \$3,652,942 as reported on the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2011, consisted of taxes, accrued interest, loans, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the financial statements. All interfund transactions related to charges for goods and services rendered have been classified as "due from other funds" on the fund financial statements which are eliminated on the government-wide statements (See Note 5.B.). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 8 - RECEIVABLES - (Continued)

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

Governmental activities:	<u>Amount</u>
Sales taxes	\$ 985,542
Property and other taxes	5,848,117
Accounts	89,078
Due from other governments	4,354,084
Special assessments	570,085
Accrued interest	4,326
Loans	1,380,106
Business-type activities:	
Accounts	2,289
Accrued interest	548

Receivables have been disaggregated on the face of the financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments and the loans. The special assessments are collected over the term of the assessment and the loans receivable which will be collected annually through 2019 (See Note 9).

NOTE 9 - LOANS RECEIVABLE

The County maintains a revolving loan program for local businesses to encourage business development in the County. A summary of the County's loan activity for 2011 is as follows:

	<u>Balance 12/31/10</u>	<u>Issued</u>	<u>Payments/ Reductions</u>	<u>Balance 12/31/11</u>
Revolving loans	<u>\$ 1,566,181</u>	<u>\$ 200,000</u>	<u>\$ (386,075)</u>	<u>\$ 1,380,106</u>

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/10	Additions	Disposals	Balance 12/31/11
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,546,808	\$ 230,000	\$ -	\$ 1,776,808
Total capital assets, not being depreciated	1,546,808	230,000	-	1,776,808
<i>Capital assets, being depreciated:</i>				
Building and improvements	25,075,143	43,440	-	25,118,583
Equipment	1,315,561	128,458	(50,417)	1,393,602
Vehicles	4,507,167	561,803	(282,847)	4,786,123
Infrastructure	37,791,072	1,115,534	-	38,906,606
Total capital assets, being depreciated	68,688,943	1,849,235	(333,264)	70,204,914
<i>Less: accumulated depreciation:</i>				
Building and improvements	(14,812,889)	(741,657)	-	(15,554,546)
Equipment	(889,464)	(61,107)	47,615	(902,956)
Vehicles	(2,431,887)	(306,234)	269,776	(2,468,345)
Infrastructure	(16,138,869)	(1,173,831)	-	(17,312,700)
Total accumulated depreciation	(34,273,109)	(2,282,829)	317,391	(36,238,547)
Total capital assets being depreciated, net	34,415,834	(433,594)	(15,873)	33,966,367
Governmental activities capital assets, net	\$ 35,962,642	\$ (203,594)	\$ (15,873)	\$ 35,743,175

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

Governmental activities:	
General government:	
Legislative and executive	\$ 563,750
Judicial	21,021
Public safety	62,208
Public works	1,319,460
Health	30,199
Human services	274,426
Other	11,765
Total depreciation expense - governmental activities	\$ 2,282,829

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 10 - CAPITAL ASSETS - (Continued)

	Balance 12/31/10	Additions	Deductions	Balance 12/31/11
Business-type activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 249,481	\$ -	\$ -	\$ 249,481
Construction in progress	699,157	-	(699,157)	-
Total capital assets, not being depreciated	<u>948,638</u>	<u>-</u>	<u>(699,157)</u>	<u>249,481</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	74,745	79,056	-	153,801
Machinery and equipment	76,783	138,506	-	215,289
Vehicles	850,181	63,950	-	914,131
Infrastructure	-	466,421	-	466,421
Total capital assets, being depreciated	<u>1,001,709</u>	<u>747,933</u>	<u>-</u>	<u>1,749,642</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(65,776)	(2,909)	-	(68,685)
Machinery and equipment	(44,361)	(7,937)	-	(52,298)
Vehicles	(779,799)	(66,355)	-	(846,154)
Infrastructure	-	(11,661)	-	(11,661)
Total accumulated depreciation	<u>(889,936)</u>	<u>(88,862)</u>	<u>-</u>	<u>(978,798)</u>
Total capital assets, being depreciated net	<u>111,773</u>	<u>659,071</u>	<u>-</u>	<u>770,844</u>
Business-type activities capital assets, net	<u>\$ 1,060,411</u>	<u>\$ 659,071</u>	<u>\$ (699,157)</u>	<u>\$ 1,020,325</u>

The enterprise fund includes a fully depreciated asset in the amount \$53,950 that was transferred from governmental activities. The asset is recorded in vehicles. Depreciation expense was charged to the enterprise fund of the County as follows:

Business-type activities:

Sanitary landfill \$ 34,912

NOTE 11 - COMPENSATED ABSENCES

Vacation leave is earned at rates which vary depending upon length of service and standard workweek. County employees earn vacation at varying rates ranging from two to five weeks per year. Current policies credit vacation leave on a pay period basis except for new employees who are required to complete one year of service prior to their accrual becoming available. Employees may also accrue compensatory time for hours worked in excess of forty per week. County employees are paid for earned, unused vacation leave and compensatory time upon termination of employment.

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

HENRY COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 11 - COMPENSATED ABSENCES - (Continued)

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

At December 31, 2011, vested benefits for vacation leave for governmental activities employees totaled \$763,050 and vested benefits for sick leave totaled \$344,883. In addition, the County has recorded a liability in the governmental funds in the amount of \$1,747 for employees who have notified the County by December 31, 2011 of their intent to retire. These amounts represent the total vested benefits and are reported in the government-wide financial statements. For business-type activities, vested benefits for vacation leave totaled \$7,330. These amounts represent the total portion of the vested benefits and are reported as a liability of the fund from which the employee is paid. In accordance with GASB Statement No. 16, an additional liability of \$706,334 for governmental activities employees and \$27,259 for business-type activities employees was accrued to record termination (severance) payments for employees expected to become eligible to retire in the future.

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2011, the following changes occurred in the County's governmental long-term obligations:

	Original Amount Issued	Balance 12/31/10	Additions	Reductions	Balance 12/31/11	Amount Due in One Year
Governmental activities:						
<u>General obligation bonds:</u>						
2003 - 5% Grelton						
waterline bond	\$ 27,000	\$ 20,000	\$ -	\$ (4,000)	\$ 16,000	\$ 2,000
Total general obligation bonds	<u>27,000</u>	<u>20,000</u>	<u>-</u>	<u>(4,000)</u>	<u>16,000</u>	<u>2,000</u>
<u>OWDA loans:</u>						
1990 - 2% Texas waterline project	291,706	49,885	-	(6,886)	42,999	14,049
2002 - 3% Silgan can waterline	398,038	125,694	-	(83,171)	42,523	42,523
Total OWDA loans	<u>689,744</u>	<u>175,579</u>	<u>-</u>	<u>(90,057)</u>	<u>85,522</u>	<u>56,572</u>
<u>Special assessment bonds with governmental commitment:</u>						
1998 - 4.75%	211,925	112,543	-	(14,050)	98,493	15,050
Total special assessment bonds	<u>211,925</u>	<u>112,543</u>	<u>-</u>	<u>(14,050)</u>	<u>98,493</u>	<u>15,050</u>
<u>Other obligations:</u>						
Compensated absences	N/A	1,821,904	775,579	(781,469)	1,816,014	764,797
Mortgage loan - 2%	100,000	51,519	-	(6,753)	44,766	6,890
Total other obligations	<u>100,000</u>	<u>1,873,423</u>	<u>775,579</u>	<u>(788,222)</u>	<u>1,860,780</u>	<u>771,687</u>
Total governmental activities long-term obligations	<u>\$ 1,028,669</u>	<u>\$ 2,181,545</u>	<u>\$ 775,579</u>	<u>\$ (896,329)</u>	<u>\$ 2,060,795</u>	<u>\$ 845,309</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

General obligation bonds

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

Ohio Water Development Authority loans

In 1990, the County entered into a loan with the Ohio Water Development Authority (OWDA) for the construction of the Texas Waterline project. Semi-annual payments are due through 2014 with an interest rate of 2%. During 2002, the County entered into a loan agreement with the OWDA as an incentive for the location of a new waterline for the Silgan Can Company. The loan is amortized over a period of ten years.

Special assessment bonds

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

Mortgage loan

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

Compensated absences

Compensated absences will be paid from the funds from which the employees' salaries are paid, which are primarily the general, County Board of DD and motor vehicle and gas tax funds.

Future debt service requirements

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

Year Ended	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 2,000	\$ 67	\$ 2,067	\$ 15,050	\$ 4,776	\$ 19,826
2013	2,000	58	2,058	12,050	4,776	16,826
2014	2,000	50	2,050	12,050	4,776	16,826
2015	2,000	41	2,041	11,869	4,776	16,645
2016	2,000	33	2,033	11,869	515	12,384
2017 - 2019	6,000	51	6,051	35,605	1,544	37,149
Total	\$ 16,000	\$ 300	\$ 16,300	\$ 98,493	\$ 21,163	\$ 119,656

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Year Ended	OWDA Loans			Mortgage Loan		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 56,572	\$ 1,357	\$ 57,929	\$ 6,890	\$ 932	\$ 7,822
2013	14,330	436	14,766	7,029	693	7,722
2014	14,620	142	14,762	7,171	551	7,722
2015	-	-	-	7,315	407	7,722
2016	-	-	-	7,463	259	7,722
2017 - 2018	-	-	-	8,898	111	9,009
Total	<u>\$ 85,522</u>	<u>\$ 1,935</u>	<u>\$ 87,457</u>	<u>\$ 44,766</u>	<u>\$ 2,953</u>	<u>\$ 47,719</u>

B. Business-type Long-Term Obligations

During 2011, the following changes occurred in the County's business-type long-term obligations:

	Balance 12/31/10	Additions	Reductions	Balance 12/31/11	Due in One Year
Business-type activities:					
Landfill closure and postclosure care liability	\$ 2,824,861	\$ 122,853	\$ -	\$ 2,947,714	\$ -
Compensated absences	<u>32,277</u>	<u>2,312</u>	<u>-</u>	<u>34,589</u>	<u>7,330</u>
Total	<u>\$ 2,857,138</u>	<u>\$ 125,165</u>	<u>\$ -</u>	<u>\$ 2,982,303</u>	<u>\$ 7,330</u>

Landfill closure and postclosure care liability

See Note 21 for information on this liability.

Compensated absences

Compensated absences will be paid from the sanitary landfill fund.

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, the County's voted legal debt margin was \$13,255,296 at December 31, 2011 and the unvoted legal debt margin was \$5,991,004 at December 31, 2011.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 - RISK MANAGEMENT

A. Property and Liability Insurance

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

During 2011, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for liability, property, automotive, and crime insurance. The CORSA program has a \$2,500 deductible. Coverage provided by CORSA is as follows:

	<u>Amount</u>
General Liability (per occurrence)	\$ 1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Automobile Liability and Physical Damage Liability (per occurrence)	1,000,000
Medical Payments	
Per Person	5,000
Per Occurrence	50,000
Uninsured Motorist (per person)	250,000
Physical Damage	Actual Cost
Flood and Earthquake (pool limit)	100,000,000
Other Property Insurance:	
Extra Expense	1,000,000
EDP Media	Replacement Cost
Contractors' Equipment	Replacement Cost
Valuable Papers and Records	1,000,000
Inland Marine	Replacement Cost
Automatic Acquisition	3,000,000
Motor Truck Cargo	100,000
Crime Insurance:	
Faithful Performance	1,000,000
Money and Securities (inside and outside)	1,000,000
Depositor's Forgery	1,000,000
Money Orders and Counterfeit Paper Currency	1,000,000
Boiler and Machinery	100,000,000
Public Officials (per occurrence)	1,000,000
Umbrella (per occurrence)	5,000,000

There has been no significant reduction in insurance coverage from the prior year, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

B. Fulton-Henry Counties Employee Insurance Benefits Program

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 - RISK MANAGEMENT - (Continued)

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

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2011 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.00% and 11.60%, respectively. The County's contribution rate for 2011 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 14 - PENSION PLANS - (Continued)

The County's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The County's contribution rate for pension benefits for members in the Combined Plan for 2010 was 7.95%. For those plan members in law enforcement and public safety pension contributions were 14.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$1,221,338, \$1,061,893, and \$1,002,088, respectively; 88.60% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$24,584 made by the County and \$17,560 made by the plan members.

B. State Teachers Retirement System

Plan Description - Certified teachers, employed by the school for Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For 2011, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 14 - PENSION PLANS - (Continued)

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2011, 2010, and 2009 were \$113,600, \$161,917, and \$132,670, respectively; 100% has been contributed for 2011, 2010 and 2009.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$481,137, \$595,857, and \$708,896, respectively; 88.60% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. State Teachers Retirement System

Plan Description - The County contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2011, 2010, and 2009 were \$8,738, \$12,455, and \$10,205, respectively; 100% has been contributed for 2011, 2010 and 2009.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, Country View Haven fund, County Board of DD fund and motor vehicle and gas tax fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General Fund</u>	<u>Country View Haven</u>	<u>County Board of DD</u>	<u>Motor Vehicle and Gas Tax</u>
Budget basis	\$ 508,404	\$ 224,467	\$ (176,156)	\$ (46,815)
Net adjustment for revenue accruals	(13,474)	20,247	28,066	308
Net adjustment for expenditure accruals	(21,706)	(35,417)	206,083	241,414
Adjustment for encumbrances	80,674	19,878	7,244	240,039
Funds budgeted elsewhere	<u>35,910</u>	<u>-</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$ 589,808</u>	<u>\$ 229,175</u>	<u>\$ 65,237</u>	<u>\$ 434,946</u>

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

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

HENRY COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 18 - FUND BALANCE

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

Fund balance	General	Country View Haven	Motor Vehicle and Gas Tax	County Board of DD	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	\$ 25,163	\$ -	\$ 80,483	\$ 36,023	\$ 9,621	\$ 151,290
Prepays	38,718	8,348	16,970	151,843	22,700	238,579
Total nonspendable	<u>63,881</u>	<u>8,348</u>	<u>97,453</u>	<u>187,866</u>	<u>32,321</u>	<u>389,869</u>
Restricted:						
Debt service	-	-	-	-	164,142	164,142
Capital improvements	-	-	-	-	188,478	188,478
Public safety	-	-	-	-	307,574	307,574
Public works	-	-	2,707,629	-	-	2,707,629
Human services	-	-	-	1,925,060	834,586	2,759,646
Health programs	-	2,027,147	-	-	600,967	2,628,114
Economic development programs	-	-	-	-	2,161,949	2,161,949
Other purposes	-	-	-	-	1,859,738	1,859,738
Total restricted	<u>-</u>	<u>2,027,147</u>	<u>2,707,629</u>	<u>1,925,060</u>	<u>6,117,434</u>	<u>12,777,270</u>
Committed:						
Public safety	-	-	-	-	30,209	30,209
Public works	-	-	-	-	57,573	57,573
Other purposes	-	-	-	-	280,191	280,191
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>367,973</u>	<u>367,973</u>
Assigned:						
Subsequent year appropriation	936	-	-	-	-	936
Legislative and executive	1,736	-	-	-	-	1,736
Judicial	1,890	-	-	-	-	1,890
Public safety	7,592	-	-	-	-	7,592
Public works	2,905	-	-	-	-	2,905
Human services	10,505	-	-	-	-	10,505
Total assigned	<u>25,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,564</u>
Unassigned	5,514,167	-	-	-	-	5,514,167
Total fund balances	<u>\$ 5,603,612</u>	<u>\$ 2,035,495</u>	<u>\$ 2,805,082</u>	<u>\$ 2,112,926</u>	<u>\$ 6,517,728</u>	<u>\$ 19,074,843</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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 2011 was \$142,976.

NOTE 20 - CONDUIT DEBT OBLIGATIONS

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

At December 31, 2011, health care facility revenue bonds outstanding aggregated \$3,110,000.

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 21 - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,947,714 as of December 31, 2011, which is based on approximately 97.82% usage (filled) of the landfill. It is estimated that an additional \$65,786 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 \$3,013,500 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, 2011. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The County is required by State and federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 2011, cash and cash equivalents of \$1,285,566 are held for these purposes. These cash and cash equivalents are held and managed by the County and are presented on the County's financial statements as "restricted assets: equity in pooled cash and cash equivalents". It is anticipated that future inflation costs will be financed in part from interest. The remaining portion of anticipated future inflation costs (including inadequate interest, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1213-11-0052	\$ 117,129
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
School Breakfast Program	10.553	N/A	10,145
National School Lunch Program	10.555	N/A	12,695
Total Child Nutrition Cluster			22,840
Total U.S. Department of Agriculture			139,969
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT OFFICE OF HOUSING AND COMMUNITY PARTNERSHIP			
<i>Community Development Block Grants/State's Program Cluster:</i>			
FY 10 Formula Grant	14.228	B-F-10-1BF-1	120,344
FY 09 Formula Grant	14.228	B-F-09-1BF-1	31,325
FY 08 Chip CDBG Grant	14.228	B-C-10-1BF-1	49,632
FY 10 Water & Sewer Grant	14.228	B-W-10-1BF-1	5,000
Total Community Development Block Grants			206,301
Home Investment Partnerships Program	14.239	B-C-10-1BF-2	72,000
Total U.S. Department of Housing and Urban Development			278,301
U.S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES VIA AREA 7 WORKFORCE INVESTMENT BOARD			
Employment Service/Wagner - Peyser Funded Activities	17.207	C-89-09-0261	6,522
<i>WIA Adult Program Cluster:</i>			
WIA Adult	17.258	2011-7135-1	98,212
One Stop Resource Sharing	17.258	2011-7135-1	26
Total WIA Adult Program			98,238
WIA Youth Activities	17.259	2011-7135-1	110,120
WIA Dislocated Worker Formula Grants	17.278	2011-7135-1	103,314
Total WIA Cluster			311,672
Disabled Veteran's Outreach Program (DVOP)	17.801	C-89-09-0261	784
Local Veterans' Employment Representative Program	17.804	C-89-09-0261	77
Total U.S. Department of Labor			319,055
U.S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION			
<i>Highway Planning and Construction Cluster:</i>			
Load Bridge Rating	20.205	PID #90189	18,084
Sign Upgrade	20.205	PID #87432	30,670
Total Highway Planning and Construction			48,754
Capital Assistance Program for Elderly Persons and Person with Disabilities	20.513	N/A	47,123
Total U.S. Department of Transportation			95,877

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**HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Special Education-Preschool Grants	84.173	N/A	\$ 41,507
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF HEALTH			
Help Me Grow	84.181	35-1-001-1-HG-02-09	26,763
ARRA-Help Me Grow	84.393A	35-1-001-1-HA-02-11	13,103
Total U.S. Department of Education			81,373
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES			
<i>Promoting Safe and Stable Families:</i>			
Caseworker Visits	93.556	G-1213-11-0052	359
ESSA Preservation	93.556	G-1213-11-0052	3,585
ESSA Preservation Operating	93.556	G-1213-11-0052	989
ESSA Reunification	93.556	G-1213-11-0052	2,228
ESSA Reunification Operating	93.556	G-1213-11-0052	822
Total Promoting Safe and Stable Families			<u>7,983</u>
Temporary Assistance for Needy Families (TANF)	93.558	G-1213-11-0052	428,752
Child Support Enforcement	93.563	N/A	270,708
Child Care and Development Block Grant	93.575	G-1213-11-0052	7,523
Child Abuse & Neglect	93.590	G-1213-11-0052	546
Child Care Non-Admin/Child Care Services	93.596	G-1213-11-0052	11,023
<i>Stephanie Tubbs Jones Child Welfare Services Program:</i>			
Child Welfare Services-Title IV-B	93.645	G-1213-11-0052	33,731
Child Welfare Services-Title IV-B Admin	93.645	G-1213-11-0052	784
Total Stephanie Tubbs Jones Child Welfare Services Program			<u>34,515</u>
<i>Foster Care-Title IV-E:</i>			
Title IV-E Foster Care Services	93.658	G-1213-11-0052	237,667
IV-E Administration & Training	93.658	G-1213-11-0052	16,135
ARRA-IV-E FosterCare Services	93.658	G-1213-11-0052	6,575
Total Foster Care-Title IV-E			<u>260,377</u>
<i>Adoption Assistance:</i>			
IV-E Administration & Training	93.659	G-1213-11-0052	33,200
Non-Recurring Adoption	93.659	G-1213-11-0052	1,000
Total Adoption Assistance			<u>34,200</u>
<i>Social Services Block Grant:</i>			
[A] Title XX	93.667	N/A	41,476
Title XX Transfer	93.667	G-1213-11-0052	258,737
Total Social Services Block Grant			<u>300,213</u>
<i>Medical Assistance Program Cluster:</i>			
[A] MAC	93.778	N/A	216,276
[A] ARRA-eFMAP	93.778	N/A	31,424
Medicaid/NET	93.778	G-1213-11-0052	87,308
Total Medical Assistance Program			<u>335,008</u>
Federal Chafee Foster Care Independence Program	93.674	G-1213-11-0052	5,021
Children's Health Insurance Program	93.767	G-1213-11-0052	61,258

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**HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF HEALTH			
<i>Family Planning Services:</i>			
Family Planning Services	93.217	35-1-001-1-FP-03-11	\$ 62,145
Reproductive Health and Wellness	93.217	35-1-001-1-FP-03-11	40,833
Total Family Planning Services			<u>102,978</u>
Grants to States to Support Oral Health Workforce Activities	93.236	35-1-001-1-SC-04-11	56,522
Maternal and Child Health Services Block Grant	93.994	35-1-001-1-MC-04-11	28,414
Public Health Emergency Preparedness	93.069	35-1-001-2-PH-02-11	104,629
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO SECRETARY OF STATE			
Voting Access for Individuals with Disabilities	93.617	06-SOS-HHHS-35	840
Total U.S. Department of Health and Human Services			<u>2,050,510</u>
U.S. ELECTION ASSISTANCE COMMISSION PASSED THROUGH THE OHIO SECRETARY OF STATE			
Help America Vote Act Requirements	90.401	N/A	755
U.S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE OHIO DEPARTMENT OF PUBLIC SAFETY			
Interoperable Emergency Communications Grant	97.055	2008-IO-18-0044	12,400
<i>Emergency Management Performance Grants:</i>			
Emergency Management Performance & Special Project Equipment Grants	97.042	2010-EP-00-0003	28,713
Emergency Management Performance & Special Project Equipment Grants	97.042	2010-EP-00-0003	15,039
Total Emergency Performance & Special Project Equipment Grants			<u>43,752</u>
<i>Homeland Security Grant Program Cluster:</i>			
FY 09 State Homeland Security Program	97.067	2009-SS-T9-0089	7,884
FY 10 State Homeland Security Program	97.067	2010-SS-T0-0012	22,706
FY 10 State Homeland Security Program	97.067	2010-SS-T0-0012	15,000
FY 08 Citizens Corps Program	97.067	2008-GE-T8-0025	19,943
FY 10 Hazard Mitigation Planning Grant	97.067	FEMA-DK-1805.11P-OH	3,755
Total Homeland Security Grant Program			<u>69,288</u>
Total U.S. Department of Homeland Security			<u>125,440</u>
Total Federal Financial Assistance			<u>\$ 3,091,280</u>

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

HENRY COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reports the County's Federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

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

NOTE C - DODD MEDICAID MAC/WAC ADJUSTMENTS

During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA # 93.778) in the amount of \$193,286. The deferred payment was for Medicaid Administrative Claiming (MAC) and Waiver Administrative Claiming (WAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid Eligibility Rate (MER) for certain activity codes within MAC/WAC. This revenue is not listed on the County's Schedule of Federal Awards since the underlying expenses occurred in prior reporting periods.

[A] This portion of the program was passed through the Ohio Department of Developmental Disabilities not the Ohio Department of Jobs and Family Services. This also represents receipts versus expenditures as required by the Ohio Department of Developmental Disabilities.

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

To the Board of Commissioners
Henry County, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio (the "County") as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 27, 2012, wherein we noted the County adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No.54 *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be material a weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be a material weakness.

Compliance And Other Matters

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

We noted certain matters that we reported to management of the County in a separate letter dated June 27, 2012.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 27, 2012

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
Henry County, Ohio:

Compliance

We have audited Henry County, Ohio's (the "County") compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 27, 2012

HENRY COUNTY, OHIO
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2011

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to the financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	No
Identification of major programs:	
• CFDA 93.558 – Temporary Assistance for Needy Families	
• CFDA 93.667 – Social Services Block Grant	
• CFDA 93.778 – Medicaid Cluster: MAC, ARRA-eFMAP, and Medicaid/NET	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Finding 2011-1 – Investment Income

The County was not recognizing investment income on three of its certificates of deposits that reinvested interest each year at the maturity and renewal date. These certificates of deposit were initially purchased in the mid-1990’s. Thus, income was not properly recognized in the County’s financial statements and resulted in the understatement of the General Fund Balance. As such, the County has restated its General Fund balance as of December 31, 2010.

Management Response: Management concurs with the finding.

Section III – Federal Award Findings and Questioned Costs

None noted

HENRY COUNTY, OHIO
Schedule of Prior Audit Findings
Year Ended December 31, 2011

Finding 2010-1 – Revolving Loan Fund

During the prior audit, it was noted that a loan did not follow proper procedure and was disbursed without a complete loan application and without the execution of the promissory note.

Status: Corrected during 2011.

Finding 2010-2 – Schedule of Expenditures of Federal Awards

During the prior audit, it was noted that there was a significant omission of a federal program from the County's schedule of expenditure of federal awards.

Status: Corrected during 2011.

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Dave Yost • Auditor of State

HENRY COUNTY FINANCIAL CONDITION

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 28, 2012