

Henry County, Ohio

Basic Financial Statements

Year Ended December 31, 2012

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, 2012 through December 31, 2012. 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 29, 2013

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TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16 - 17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – Motor Vehicle and Gas Tax	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – County Board of DD	24
Statement of Net Position – Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	27
Statement of Fiduciary Assets and Liabilities – Agency Fund	28
Notes to Basic Financial Statements	29 - 62
Schedule of Expenditures of Federal Awards	63 - 65
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	66 - 67
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance	68 - 69
Schedule of Findings and Questioned Costs	70
Schedule of Prior Audit Findings	71

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Henry County, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio (the "County") as of and for the year ended December 31, 2012, and the related notes to the financials, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison thereof for General, Motor Vehicle and Gas Tax, County Board of DD for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Effect of Adopting New Accounting Standards

As discussed in Note 3, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013 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* in considering the County's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 25, 2013

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012. 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 2012 are as follows:

- The total net position of the County increased \$3,035,419. Net position of governmental activities increased \$2,964,606, which represents a 5.16% increase from 2011. Net position of business-type activities increased \$70,813, which represents a 14.58% increase from 2011.
- General revenues accounted for \$12,404,918 or 40.84% of total governmental activities revenue. Program specific revenues accounted for \$17,971,913 or 59.16% of total governmental activities revenue.
- The County had \$27,412,225 in expenses related to governmental activities. \$17,971,913 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12,404,918 were adequate to provide for these programs.
- The County's major governmental funds are the general 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 \$8,399,690 in 2012, a decrease of \$258,711 or 2.99% from 2011 revenues. The general fund had expenditures and other financing uses of \$7,719,199 in 2012, a decrease of \$349,394 or 4.33% from 2011. The decrease in revenues, due primarily to a decrease in other revenues in 2012, and decrease in expenditures, due primarily to decreases in general government, public works, and intergovernmental expenditures resulted in the general fund balance increase of \$680,491 or 12.14% from 2011 to 2012.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,178,580 in 2012. The motor vehicle and gas tax fund had expenditures of \$3,953,975 in 2012. The motor vehicle and gas tax fund balance increased \$224,605 or 8.01% from 2011 to 2012.
- The county board of DD fund, a County major fund, had revenues of \$6,094,745 in 2012. The county board of DD fund had expenditures of \$6,236,042 in 2012. The county board of DD fund balance decreased \$141,297 or 6.69% from 2011 to 2012.
- Net position for the business-type activities, which include the sanitary landfill, tower, Hahn Center and Monroe Township landfill fees enterprise funds, increased in 2012 by \$70,813 or 14.58%.

Using these Basic Financial Statements (BFS)

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

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

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities answer the question, "How did we do financially during 2012?" These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The County's statement of net position 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, 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.

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.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

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 18-24 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 25-27 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 28 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 29-62 of this report.

Government-wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. Certain liabilities and deferred inflows have been restated by the County for 2011 to conform to 2012 presentation in accordance with GASB Statement No. 63 and GASB Statement No. 65. The table below provides a summary of the City's net position at December 31, 2012 and December 31, 2011.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

			Net Assets		2012 Total	2011 Total
	Governmental	Business-type	(Restated)			
	Activities 2012	Activities 2012	Governmental Activities 2011	Business-type Activities 2011		
Assets:						
Current and other assets	\$ 31,745,632	\$ 1,693,652	\$ 30,442,763	\$ 1,555,143	\$ 33,439,284	\$ 31,997,906
Capital assets, net	<u>36,898,129</u>	<u>976,088</u>	<u>35,743,175</u>	<u>1,020,325</u>	<u>37,874,217</u>	<u>36,763,500</u>
Total assets	<u>68,643,761</u>	<u>2,669,740</u>	<u>66,185,938</u>	<u>2,575,468</u>	<u>71,313,501</u>	<u>68,761,406</u>
Liabilities:						
Long-term liabilities outstanding	1,777,906	3,038,377	2,060,795	2,982,303	4,816,283	5,043,098
Other liabilities	<u>1,212,007</u>	<u>46,234</u>	<u>1,350,846</u>	<u>78,849</u>	<u>1,258,241</u>	<u>1,429,695</u>
Total liabilities	<u>2,989,913</u>	<u>3,084,611</u>	<u>3,411,641</u>	<u>3,061,152</u>	<u>6,074,524</u>	<u>6,472,793</u>
Deferred inflows:	<u>5,250,659</u>	<u>-</u>	<u>5,335,714</u>	<u>-</u>	<u>5,250,659</u>	<u>5,335,714</u>
Net position:						
Net investment in capital assets	36,731,860	976,088	35,498,394	1,020,325	37,707,948	36,518,719
Restricted	16,655,017	-	15,852,783	-	16,655,017	15,852,783
Unrestricted (deficit)	<u>7,016,312</u>	<u>(1,390,959)</u>	<u>6,087,406</u>	<u>(1,506,009)</u>	<u>5,625,353</u>	<u>4,581,397</u>
Total net position (deficit)	<u>\$ 60,403,189</u>	<u>\$ (414,871)</u>	<u>\$ 57,438,583</u>	<u>\$ (485,684)</u>	<u>\$ 59,988,318</u>	<u>\$ 56,952,899</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2012, the County's assets exceeded liabilities and deferred inflows by \$59,988,318. This amounts to \$60,403,189 in governmental activities and a deficit of \$414,871 in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the County's net position. At year-end, capital assets represented 53.11% of total governmental and business-type assets. Capital assets include land, buildings and improvements, machinery and equipment, vehicles and infrastructure. The net investments in capital assets at December 31, 2012, were \$37,707,948. 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, 2012, the County is able to report positive balances in all categories of net position for its governmental activities.

A portion of the County's governmental activities net position, \$16,655,017 or 27.57%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net position is \$7,016,312.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

The table below shows the changes in net position for governmental and business-type activities for 2012 and 2011.

	Change in Net Position					
	Governmental	Business-type	Governmental	Business-type	2012	2011
	Activities	Activities	Activities	Activities	Total	Total
	2012	2012	2011	2011		
Revenues:						
Program revenues:						
Charges for services and sales	\$ 3,755,334	\$ 863,128	\$ 3,622,043	\$ 832,040	\$ 4,618,462	\$ 4,454,083
Operating grants and contributions	11,357,558	-	10,790,106	-	11,357,558	10,790,106
Capital grants and contributions	2,859,021	-	907,332	-	2,859,021	907,332
Total program revenues	<u>17,971,913</u>	<u>863,128</u>	<u>15,319,481</u>	<u>832,040</u>	<u>18,835,041</u>	<u>16,151,521</u>
General revenues:						
Property taxes	5,542,480	-	5,784,291	-	5,542,480	5,784,291
Sales tax	3,761,735	-	4,015,220	-	3,761,735	4,015,220
Unrestricted grants	2,564,345	-	2,365,752	-	2,564,345	2,365,752
Investment earnings	109,921	3,588	166,352	4,856	113,509	171,208
Miscellaneous	426,437	-	1,568,340	-	426,437	1,568,340
Total general revenues	<u>12,404,918</u>	<u>3,588</u>	<u>13,899,955</u>	<u>4,856</u>	<u>12,408,506</u>	<u>13,904,811</u>
Total revenues	<u>30,376,831</u>	<u>866,716</u>	<u>29,219,436</u>	<u>836,896</u>	<u>31,243,547</u>	<u>30,056,332</u>
Expenses:						
Program expenses:						
General government	4,225,884	-	4,185,445	-	4,225,884	4,185,445
Public safety	3,155,737	-	3,085,403	-	3,155,737	3,085,403
Public works	4,977,614	-	5,029,734	-	4,977,614	5,029,734
Health	1,788,785	-	1,868,426	-	1,788,785	1,868,426
Human services	10,871,535	-	11,353,050	-	10,871,535	11,353,050
Economic development	1,251,457	-	646,451	-	1,251,457	646,451
Transportation	589,497	-	550,624	-	589,497	550,624
Intergovernmental	404,285	-	172,449	-	404,285	172,449
Other	141,195	-	463,417	-	141,195	463,417
Interest and fiscal charges	6,236	-	18,003	-	6,236	18,003
Sanitary landfill	-	721,903	-	900,274	721,903	900,274
Other business-type activities:						
Tower fund	-	15,557	-	35,165	15,557	35,165
Hahn Center	-	52,517	-	71,983	52,517	71,983
Monroe Township landfill fees	-	5,926	-	8,104	5,926	8,104
Total expenses	<u>27,412,225</u>	<u>795,903</u>	<u>27,373,002</u>	<u>1,015,526</u>	<u>28,208,128</u>	<u>28,388,528</u>
Change in net position	2,964,606	70,813	1,846,434	(178,630)	3,035,419	1,667,804
Net position (deficit) at beginning of year						
	<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>
Net position (deficit) at end of year	<u>\$ 60,403,189</u>	<u>\$ (414,871)</u>	<u>\$ 57,438,583</u>	<u>\$ (485,684)</u>	<u>\$ 59,988,318</u>	<u>\$ 56,952,899</u>

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

Governmental Activities

Governmental net position increased by \$2,964,606 in 2012 from 2011.

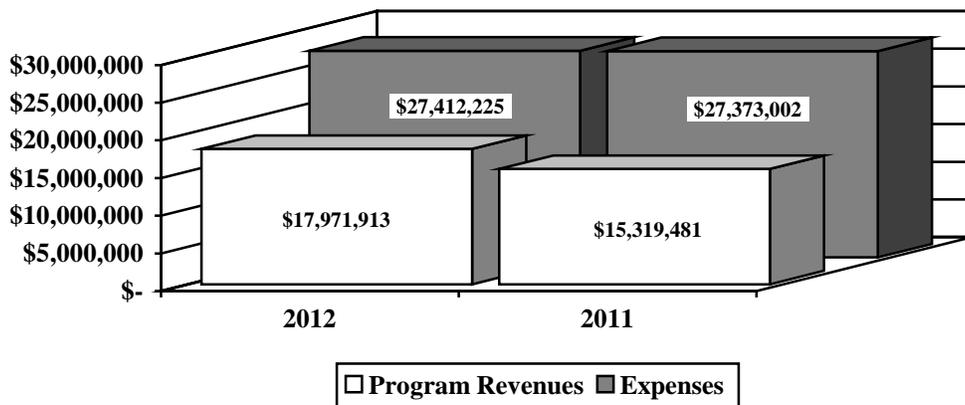
Human services, which supports the operations of the county board of DD fund and public assistance fund, accounts for \$10,871,535 of expenses, or 39.66% of total governmental expenses of the County. These expenses were funded by \$116,349 in charges to users of services and \$5,335,821 in operating grants in 2012. General government expenses which includes legislative and executive and judicial programs, totaled \$4,225,884 or 15.42% of total governmental expenses. General government expenses were covered by \$1,857,433 of direct charges to users in 2012.

The State and federal government contributed to the County revenues of \$11,357,558 in operating grants and contributions and \$2,859,021 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$5,335,821, or 46.98%, subsidized human services programs.

General revenues totaled \$12,404,918, and amounted to 40.84% of total revenues. These revenues primarily consist of property and sales tax revenue of \$9,304,215 or 75.00% of total general revenues in 2012. The other primary source of general revenues is grants and entitlements not restricted to specific programs of \$2,564,345.

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 2012 and 2011. 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

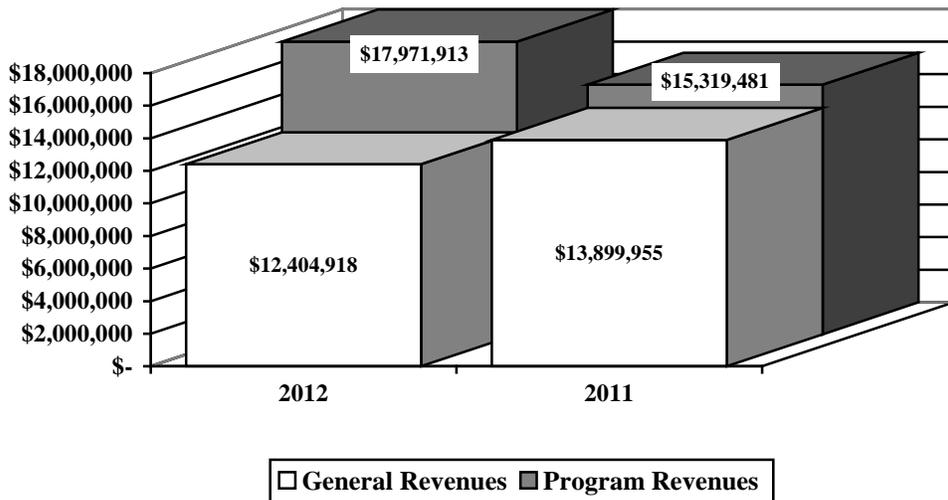
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The following table shows, for governmental activities, the total cost of services and the net cost of services for 2012 and 2011. 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	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2012	2012	2011	2011
Program expenses:				
General government	\$ 4,225,884	\$ 2,327,494	\$ 4,185,445	\$ 2,401,396
Public safety	3,155,737	2,528,534	3,085,403	2,678,192
Public works	4,977,614	(2,264,587)	5,029,734	(229,559)
Health	1,788,785	908,344	1,868,426	874,407
Human services	10,871,535	5,419,365	11,353,050	4,806,612
Economic development and assistance	1,251,457	227,303	646,451	395,429
Transportation	589,497	(167,584)	550,624	550,624
Intergovernmental	404,285	404,285	172,449	172,449
Other	141,195	50,922	463,417	385,968
Interest and fiscal charges	6,236	6,236	18,003	18,003
Total	\$ 27,412,225	\$ 9,440,312	\$ 27,373,002	\$ 12,053,521

The dependence upon general revenues for governmental activities is apparent, with 36.98% and 44.03% of expenses supported through taxes and other general revenues during 2012 and 2011, respectively. The graph below illustrates the County's reliance upon general revenues.

Governmental Activities – General and Program Revenues



HENRY COUNTY, OHIO

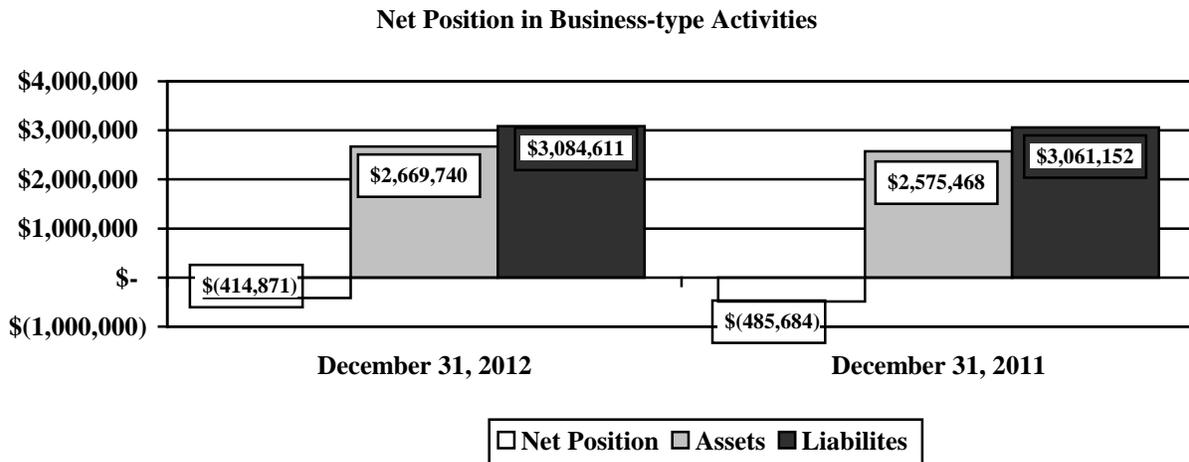
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 \$863,128, general revenues of \$3,588, and expenses of \$795,903 for 2012.

The business-type activities net position increased \$70,813 or 14.58% during 2012.

The following graph illustrates the assets, liabilities, and net position of the County's business-type activities at December 31, 2012 and December 31, 2011.



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, 2012

The County's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$20,346,761, which is \$1,271,918 higher than last year's total of \$19,074,843. The following schedule indicates the fund balance and the total change in fund balance as of December 31, 2012 and December 31, 2011 for all major and nonmajor governmental funds.

	<u>Fund Balance</u> <u>December 31, 2012</u>	<u>Fund Balance</u> <u>December 31, 2011</u>	<u>Increase/</u> <u>(Decrease)</u>
Major funds:			
General	\$ 6,284,103	\$ 5,603,612	\$ 680,491
Motor vehicle and gas tax	3,029,687	2,805,082	224,605
County board of DD	1,971,629	2,112,926	(141,297)
Other nonmajor governmental funds	<u>9,061,342</u>	<u>8,553,223</u>	<u>508,119</u>
Total	<u>\$ 20,346,761</u>	<u>\$ 19,074,843</u>	<u>\$ 1,271,918</u>

General Fund

The general fund, the County's largest major fund, had revenues of \$8,399,690 in 2012, which represents a \$258,711 decrease from 2011 revenues. The general fund had expenditures and other financing uses of \$7,719,199 in 2012, a decrease of \$349,394 or 4.33% from 2011. The decrease in expenditures which was greater than the decrease in revenues contributed to the general fund balance increase of \$680,491 or 12.14% from 2011 to 2012.

The table that follows assists in illustrating the revenues of the general fund during 2012 and 2011.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Taxes	\$ 5,727,969	\$ 5,510,919	3.94 %
Charges for services	919,584	890,361	3.28 %
Licenses and permits	5,271	1,609	227.59 %
Fines and forfeitures	99,535	76,662	29.84 %
Intergovernmental	1,073,541	1,173,988	(8.56) %
Investment income	109,921	114,036	(3.61) %
Other	<u>463,869</u>	<u>890,826</u>	(47.93) %
Total	<u>\$ 8,399,690</u>	<u>\$ 8,658,401</u>	(2.99) %

The increase in licenses and permits was primarily due to an increase in vendor licenses. The increase in fines and forfeitures was due to an increase in municipal court fines. The decrease in other revenues was due to a decrease in CORSA reimbursements. All other revenue remained comparable to 2011.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

The table that follows assists in illustrating the expenditures of the general fund during 2012 and 2011.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Expenditures:			
Current:			
General government			
Legislative and executive	\$ 1,864,444	\$ 1,968,225	(5.27) %
Judicial	1,253,865	1,406,709	(10.87) %
Public safety	2,872,280	2,700,091	6.38 %
Public works	52,562	279,431	(81.19) %
Health	55,729	58,676	(5.02) %
Human services	297,458	317,897	(6.43) %
Economic development and assistance	175,823	169,006	4.03 %
Intergovernmental	404,285	172,449	134.44 %
Other	57,944	369,994	(84.34) %
Capital outlay	<u>13,656</u>	<u>13,515</u>	1.04 %
Total	<u>\$ 7,048,046</u>	<u>\$ 7,455,993</u>	(5.47) %

Expenditures have decreased 5.47% from 2011 for the County. The significant areas of change in expenditures are judicial, public works, intergovernmental and capital outlay. The decrease in judicial expenditures is primarily due to a decrease in family court detention costs. The decrease in public works can be primarily attributed to an expense to reimburse the CDBG fund during 2011 that did not occur during 2012. The increase in intergovernmental expenditures was due to an increase in soil and water charges during 2012. The decrease in other expenditures was due to a reserve insurance payment that occurred in 2011 and did not occur in 2012.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,178,580 in 2012. The motor vehicle and gas tax fund had expenditures of \$3,953,975 in 2012. The motor vehicle and gas tax fund balance increased \$224,605 or 8.01% from 2011 to 2012.

County Board of Developmental Disabled (DD) Fund

The county board of DD fund, a County major fund, had revenues of \$6,094,745 in 2012. The county board of DD fund had expenditures of \$6,236,042 in 2012. The county board of DD fund balance decreased \$141,297 or 6.69% from 2011 to 2012.

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, 2012

Original budgeted revenues were \$7,664,725. Final budgeted revenues were \$8,230,653. Actual revenues of \$8,168,723 were less than final budgeted revenues by \$61,930. Original budgeted expenditures and other financing uses were \$7,745,399. Final budgeted expenditures and other financing uses were \$7,973,566. Actual expenditures and other financing uses of \$7,570,339 were less than final budgeted expenditures by \$403,227. 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 2012.

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 \$761,619 in 2012, a decrease of \$21,535 or 2.75% from 2011 revenues. The sanitary landfill fund had operating expenses of \$721,903 in 2012, a decrease of \$173,197 or 19.35% from 2011. The sanitary landfill fund also reported \$3,588 in non-operating revenues during 2012. The net change in operating revenues and expenses contributed to the increase in net position of \$43,304 during 2012.

Capital Assets and Debt Administration

Capital Assets

At the end of 2012, the County had \$37,874,217 (net of accumulated depreciation) invested in land, buildings and improvements, machinery and equipment, vehicles and infrastructure. Of this total, \$36,898,129 was reported in governmental activities and \$976,088 was reported in business-type activities. The following table shows December 31, 2012 balances compared to December 31, 2011.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,776,808	\$ 1,776,808	\$ 249,481	\$ 249,481	\$ 2,026,289	\$ 2,026,289
Building and improvements	8,807,851	9,564,037	80,794	85,116	8,888,645	9,649,153
Machinery and equipment	447,268	490,646	162,826	162,991	610,094	653,637
Vehicles	2,124,156	2,317,778	51,548	67,977	2,175,704	2,385,755
Infrastructure	23,742,046	21,593,906	431,439	454,760	24,173,485	22,048,666
Total	\$ 36,898,129	\$ 35,743,175	\$ 976,088	\$ 1,020,325	\$ 37,874,217	\$ 36,763,500

See Note 11 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, 2012

Debt Administration

At December 31, 2012 the County had \$3,165,243 in general obligation bonds, special assessment bonds, OWDA loans, mortgage loan and an estimated liability for landfill/post closure. Of this total \$37,409 is due within one year and \$3,127,834 is due in greater than one year. The following table summarizes the outstanding debt at December 31, 2012.

Outstanding Long-Term Obligations, at Year End

	Governmental Activities 2012	Business-type Activities 2012	Total 2012
Long-term obligations:			
General obligation bonds	\$ 16,000	\$ -	\$ 16,000
Special assessment bonds	83,443	-	83,443
OWDA loans	28,950	-	28,950
Mortgage loan	37,876	-	37,876
Estimated liability for landfill closure/post closure	-	2,998,974	2,998,974
Total	<u>\$ 166,269</u>	<u>\$ 2,998,974</u>	<u>\$ 3,165,243</u>

At December 31, 2012 the County's overall legal debt margin was \$13,683,625. See Note 13 to the basic financial statements for detail on governmental activities and business-type activities long term debt.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for 2013.

The County's unemployment rate is 7.5%, compared to the 6.70% state average and the 7.8% national average.

State funding is expected to continue to decline over the next few years due to the slashing of the Local Government Fund by 50 percent over two-years and the legislation to eliminate the estate tax effective 2013.

These economic factors were considered in preparing the County's budget for fiscal year 2013. Budgeted revenues and other financing sources in the general fund for 2013 is \$8,074,217. 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 POSITION
DECEMBER 31, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 17,826,160	\$ 330,037	\$ 18,156,197
Cash in segregated accounts	38,980	350	39,330
Receivables:			
Sales taxes	966,788	-	966,788
Property and other taxes	5,508,155	-	5,508,155
Accounts	113,786	2,205	115,991
Due from other governments	4,607,995	-	4,607,995
Special assessments	551,123	-	551,123
Accrued interest	5,833	484	6,317
Loans	1,670,834	-	1,670,834
Leases	162,000	-	162,000
Prepayments	125,867	2,346	128,213
Materials and supplies inventory	168,111	143	168,254
Restricted assets:			
Equity in pooled cash and cash equivalents .	-	1,358,087	1,358,087
Capital assets:			
Land	1,776,808	249,481	2,026,289
Depreciable capital assets, net	<u>35,121,321</u>	<u>726,607</u>	<u>35,847,928</u>
Total capital assets, net	<u>36,898,129</u>	<u>976,088</u>	<u>37,874,217</u>
Total assets	<u>68,643,761</u>	<u>2,669,740</u>	<u>71,313,501</u>
Liabilities:			
Accounts payable	315,664	17,586	333,250
Accrued wages and benefits payable	360,210	6,463	366,673
Pension obligation payable	206,299	905	207,204
Due to other governments	222,973	21,280	244,253
Deposits held and due to others	38,762	-	38,762
Amount to be repaid to claimants	66,214	-	66,214
Accrued interest payable	1,885	-	1,885
Long-term liabilities:			
Due within one year	821,782	10,174	831,956
Due in more than one year	<u>956,124</u>	<u>3,028,203</u>	<u>3,984,327</u>
Total liabilities	<u>2,989,913</u>	<u>3,084,611</u>	<u>6,074,524</u>
Deferred inflows of resources:			
Property taxes levied for the next year . . .	5,088,659	-	5,088,659
Leases receivable	<u>162,000</u>	<u>-</u>	<u>162,000</u>
Total deferred inflows of resources	<u>5,250,659</u>	<u>-</u>	<u>5,250,659</u>
Net position:			
Net investment in capital assets	36,731,860	976,088	37,707,948
Restricted for:			
Capital projects	768,580	-	768,580
Debt service	116,418	-	116,418
Public safety programs	548,382	-	548,382
Public works projects	4,371,888	-	4,371,888
Human services	4,295,398	-	4,295,398
Health programs	2,357,580	-	2,357,580
Economic development programs	2,147,809	-	2,147,809
Other purposes	2,048,962	-	2,048,962
Unrestricted (deficit)	<u>7,016,312</u>	<u>(1,390,959)</u>	<u>5,625,353</u>
Total net position	<u>\$ 60,403,189</u>	<u>\$ (414,871)</u>	<u>\$ 59,988,318</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government:				
Legislative and executive	\$ 2,918,157	\$ 1,470,272	\$ 17,887	\$ -
Judicial	1,307,727	387,161	23,070	-
Public safety	3,155,737	189,273	437,930	-
Public works	4,977,614	166,705	4,216,475	2,859,021
Health	1,788,785	867,792	12,649	-
Human services	10,871,535	116,349	5,335,821	-
Economic development and assistance	1,251,457	-	1,024,154	-
Transportation	589,497	553,409	203,672	-
Intergovernmental.	404,285	-	-	-
Other	141,195	4,373	85,900	-
Interest and fiscal charges.	6,236	-	-	-
Total governmental activities	<u>27,412,225</u>	<u>3,755,334</u>	<u>11,357,558</u>	<u>2,859,021</u>
Business-type activities:				
Sanitary landfill	721,903	761,619	-	-
Tower fund	15,557	26,025	-	-
Hahn Center	52,517	70,609	-	-
Monroe Township landfill fees	5,926	4,875	-	-
Total business-type activities	<u>795,903</u>	<u>863,128</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 28,208,128</u>	<u>\$ 4,618,462</u>	<u>\$ 11,357,558</u>	<u>\$ 2,859,021</u>

General revenues:

Property taxes levied for:

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

Total general revenues

Change in net position

Net position (deficit) at beginning of year

Net positon (deficit) at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,429,998)	\$ -	\$ (1,429,998)
(897,496)	-	(897,496)
(2,528,534)	-	(2,528,534)
2,264,587	-	2,264,587
(908,344)	-	(908,344)
(5,419,365)	-	(5,419,365)
(227,303)	-	(227,303)
167,584	-	167,584
(404,285)	-	(404,285)
(50,922)	-	(50,922)
(6,236)	-	(6,236)
(9,440,312)	-	(9,440,312)
-	39,716	39,716
-	10,468	10,468
-	18,092	18,092
-	(1,051)	(1,051)
-	67,225	67,225
(9,440,312)	67,225	(9,373,087)
1,712,725	-	1,712,725
2,619,674	-	2,619,674
397,461	-	397,461
812,620	-	812,620
3,761,735	-	3,761,735
2,564,345	-	2,564,345
109,921	3,588	113,509
426,437	-	426,437
12,404,918	3,588	12,408,506
2,964,606	70,813	3,035,419
57,438,583	(485,684)	56,952,899
\$ 60,403,189	\$ (414,871)	\$ 59,988,318

HENRY COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	Motor Vehicle and Gas Tax	County Board of DD	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents . . .	\$ 5,851,985	\$ 2,462,395	\$ 2,089,955	\$ 7,421,825	\$ 17,826,160
Cash in segregated accounts	-	-	570	38,410	38,980
Receivables:					
Sales taxes	966,788	-	-	-	966,788
Property and other taxes	1,844,972	-	2,518,905	1,144,278	5,508,155
Accounts	61,071	14,679	5,394	32,642	113,786
Due from other governments	481,908	2,177,087	303,582	1,645,418	4,607,995
Special assessments	-	-	-	551,123	551,123
Accrued interest	4,728	876	-	229	5,833
Loans	-	-	-	1,670,834	1,670,834
Due from other funds	2,576	12,930	-	76,122	91,628
Leases receivable	162,000	-	-	-	162,000
Prepayments	68,762	16,447	4,456	36,202	125,867
Materials and supplies inventory	26,575	123,622	7,207	10,707	168,111
Total assets	\$ 9,471,365	\$ 4,808,036	\$ 4,930,069	\$ 12,627,790	\$ 31,837,260
Liabilities:					
Accounts payable	\$ 72,878	\$ 70,170	\$ 42,775	\$ 129,841	\$ 315,664
Accrued wages and benefits payable	95,883	44,676	90,620	129,031	360,210
Compensated absences payable	133,610	46,556	-	18	180,184
Due to other funds	4,194	-	700	86,734	91,628
Due to other governments	67,402	33,331	66,920	55,320	222,973
Pension obligation payable	59,117	25,067	49,564	72,551	206,299
Deposits held and due to others	-	-	570	38,192	38,762
Amount to be repaid to claimants	66,214	-	-	-	66,214
Total liabilities	499,298	219,800	251,149	511,687	1,481,934
Deferred inflows of resources:					
Property taxes levied for the next year . . .	1,692,632	-	2,335,201	1,060,826	5,088,659
Delinquent property tax revenue not available.	133,155	-	183,704	83,452	400,311
Special assessments revenue not available. . .	-	-	-	551,123	551,123
Sales tax revenue not available	378,680	-	-	-	378,680
Unavailable grant revenue	-	-	-	1,275,639	1,275,639
Lease revenue not available	162,000	-	-	-	162,000
Nonexchange transactions	321,497	1,558,549	188,386	83,721	2,152,153
Total deferred inflows of resources	2,687,964	1,558,549	2,707,291	3,054,761	10,008,565
Fund balances:					
Nonspendable	95,337	140,069	11,663	46,909	293,978
Restricted	-	2,889,618	1,959,966	8,650,588	13,500,172
Committed	-	-	-	363,863	363,863
Assigned	44,759	-	-	-	44,759
Unassigned (deficit)	6,144,007	-	-	(18)	6,143,989
Total fund balances	6,284,103	3,029,687	1,971,629	9,061,342	20,346,761
Total liabilities, deferred inflows of resources and fund balances	\$ 9,471,365	\$ 4,808,036	\$ 4,930,069	\$ 12,627,790	\$ 31,837,260

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total governmental fund balances		\$	20,346,761
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			36,898,129
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	400,311	
Sales taxes receivable		378,680	
Special assessments receivable		551,123	
Intergovernmental receivable		3,427,792	
Total		4,757,906	4,757,906
On the statement of net position interest is accrued on outstanding bonds and loans payable, whereas in the governmental funds, interest is accrued when due.			(1,885)
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		(83,443)	
OWDA loans payable		(28,950)	
Mortgage loans payable		(37,876)	
Compensated absences payable		(1,431,453)	
Total		(1,597,722)	(1,597,722)
Net position of governmental activities		\$	60,403,189

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Motor Vehicle and Gas Tax	County Board of DD	Other Governmental Funds	Total Governmental Funds
Revenues:					
Sales taxes	\$ 3,745,333	\$ -	\$ -	\$ -	\$ 3,745,333
Property and other taxes	1,982,636	-	2,684,816	1,179,666	5,847,118
Charges for services	919,580	-	5,136	2,174,536	3,099,252
Licenses and permits	5,271	-	-	93,267	98,538
Fines and forfeitures	99,535	64,580	-	68,332	232,447
Intergovernmental	1,073,541	4,103,936	3,335,830	5,124,321	13,637,628
Special assessments	-	-	-	473,268	473,268
Investment income	109,921	6,454	-	43,302	159,677
Rental income	37,432	-	-	35,149	72,581
Contributions and donations	-	-	5,154	52,007	57,161
Other	426,437	3,610	63,809	184,534	678,390
Total revenues	8,399,686	4,178,580	6,094,745	9,428,382	28,101,393
Expenditures:					
Current:					
General government:					
Legislative and executive	1,864,444	-	-	522,626	2,387,070
Judicial	1,253,861	-	-	61,174	1,315,035
Public safety	2,872,280	-	-	395,162	3,267,442
Public works	52,562	3,953,975	-	562,297	4,568,834
Health	55,729	-	-	1,704,197	1,759,926
Human services	297,458	-	6,228,220	4,295,467	10,821,145
Economic development and assistance	175,823	-	-	1,075,634	1,251,457
Transportation	-	-	-	589,497	589,497
Intergovernmental	404,285	-	-	-	404,285
Other	57,944	-	-	79,288	137,232
Capital outlay	13,656	-	-	228,178	241,834
Debt service:					
Principal retirement	-	-	6,890	71,622	78,512
Interest and fiscal charges	-	-	932	6,274	7,206
Total expenditures	7,048,042	3,953,975	6,236,042	9,591,416	26,829,475
Excess (deficiency) of revenues over (under) expenditures	1,351,644	224,605	(141,297)	(163,034)	1,271,918
Other financing sources (uses):					
Transfers in	-	-	-	915,887	915,887
Transfers (out)	(671,153)	-	-	(244,734)	(915,887)
Total other financing sources (uses)	(671,153)	-	-	671,153	-
Net change in fund balances	680,491	224,605	(141,297)	508,119	1,271,918
Fund balances at beginning of year	5,603,612	2,805,082	2,112,926	8,553,223	19,074,843
Fund balances at end of year	\$ 6,284,103	\$ 3,029,687	\$ 1,971,629	\$ 9,061,342	\$ 20,346,761

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2012

Net change in fund balances - total governmental funds \$ 1,271,918

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 capital outlays exceeds depreciation expense in the current period.

Capital asset additions	\$ 3,646,162	
Current year depreciation	(2,241,824)	
Total	1,404,338	

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.

(249,384)

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

Property taxes	(106,934)	
Sales taxes	16,402	
Special assessments	(18,962)	
Intergovernmental revenues	184,932	
Total	75,438	

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

78,512

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

970

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.

382,814

Change in net position of governmental activities **\$ 2,964,606**

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales taxes	\$ 3,485,000	\$ 3,780,489	\$ 3,780,489	\$ -
Property and other taxes.	1,927,300	1,971,143	1,969,762	(1,381)
Charges for services.	764,500	789,188	751,777	(37,411)
Licenses and permits	1,560	5,281	5,271	(10)
Fines and forfeitures	61,500	104,978	104,978	-
Intergovernmental.	956,412	1,053,884	1,040,510	(13,374)
Investment income.	80,000	80,000	108,167	28,167
Rental income	47,678	48,532	37,432	(11,100)
Other	340,775	397,158	370,337	(26,821)
Total revenues	<u>7,664,725</u>	<u>8,230,653</u>	<u>8,168,723</u>	<u>(61,930)</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	1,992,638	2,059,637	1,866,903	192,734
Judicial	1,157,331	1,291,296	1,184,416	106,880
Public safety	2,998,035	2,898,986	2,762,409	136,577
Public works	16,414	59,185	49,182	10,003
Health	56,394	56,394	56,008	386
Human services	363,803	372,710	327,965	44,745
Economic development and assistance .	143,342	176,690	176,690	-
Intergovernmental	291,608	407,618	404,285	3,333
Other	72,266	68,341	57,672	10,669
Capital outlay	13,515	13,656	13,656	-
Total expenditures	<u>7,105,346</u>	<u>7,404,513</u>	<u>6,899,186</u>	<u>505,327</u>
Excess of revenues over expenditures . . .	<u>559,379</u>	<u>826,140</u>	<u>1,269,537</u>	<u>443,397</u>
Other financing uses:				
Transfers (out).	<u>(640,053)</u>	<u>(685,053)</u>	<u>(671,153)</u>	<u>13,900</u>
Total other financing uses	<u>(640,053)</u>	<u>(685,053)</u>	<u>(671,153)</u>	<u>13,900</u>
Net change in fund balances	(80,674)	141,087	598,384	457,297
Fund balances at beginning of year	4,757,716	4,757,716	4,757,716	-
Prior year encumbrances appropriated . .	80,674	80,674	80,674	-
Fund balance at end of year	<u>\$ 4,757,716</u>	<u>\$ 4,979,477</u>	<u>\$ 5,436,774</u>	<u>\$ 457,297</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 46,000	\$ 66,088	\$ 66,088	\$ -
Intergovernmental	4,153,986	4,166,625	4,108,467	(58,158)
Investment income.	10,000	10,000	6,480	(3,520)
Other	8,536	8,536	8,536	-
Total revenues	<u>4,218,522</u>	<u>4,251,249</u>	<u>4,189,571</u>	<u>(61,678)</u>
Expenditures:				
Current:				
Public works.	4,458,561	4,911,579	4,327,659	583,920
Total expenditures	<u>4,458,561</u>	<u>4,911,579</u>	<u>4,327,659</u>	<u>583,920</u>
Net change in fund balance.	(240,039)	(660,330)	(138,088)	522,242
Fund balance at beginning of year	1,943,362	1,943,362	1,943,362	-
Prior year encumbrances appropriated .	240,039	240,039	240,039	-
Fund balance at end of year	<u>\$ 1,943,362</u>	<u>\$ 1,523,071</u>	<u>\$ 2,045,313</u>	<u>\$ 522,242</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 2,700,000	\$ 2,717,537	\$ 2,717,537	\$ -
Intergovernmental	3,284,429	3,667,273	3,284,792	(382,481)
Contributions and donations	12,000	12,000	5,154	(6,846)
Other	35,000	72,915	72,915	-
Total revenues	<u>6,031,429</u>	<u>6,469,725</u>	<u>6,080,398</u>	<u>(389,327)</u>
Expenditures:				
Current:				
Human services	6,407,244	6,664,242	6,197,695	466,547
Total expenditures	<u>6,407,244</u>	<u>6,664,242</u>	<u>6,197,695</u>	<u>466,547</u>
Net change in fund balance	(375,815)	(194,517)	(117,297)	77,220
Fund balance at beginning of year	2,004,186	2,004,186	2,004,186	-
Prior year encumbrances appropriated	7,244	7,244	7,244	-
Fund balance at end of year	<u>\$ 1,635,615</u>	<u>\$ 1,816,913</u>	<u>\$ 1,894,133</u>	<u>\$ 77,220</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents . . .	\$ 232,318	\$ 97,719	\$ 330,037
Cash with fiscal and escrow agents.	350	-	350
Receivables (net of allowance for uncollectibles):			
Accounts.	2,175	30	2,205
Accrued interest	484	-	484
Restricted assets:			
Equity in pooled cash and cash equivalents .	1,358,087	-	1,358,087
Prepayments	2,346	-	2,346
Materials and supplies inventory.	143	-	143
Total current assets	1,595,903	97,749	1,693,652
Noncurrent assets:			
Capital assets:			
Land	249,481	-	249,481
Depreciable capital assets, net.	726,607	-	726,607
Total capital assets, net.	976,088	-	976,088
Total noncurrent assets	976,088	-	976,088
Total assets	2,571,991	97,749	2,669,740
Liabilities:			
Current liabilities:			
Accounts payable.	16,625	961	17,586
Accrued wages and benefits payable	6,463	-	6,463
Compensated absences payable	10,174	-	10,174
Due to other governments	18,879	2,401	21,280
Pension obligation payable	905	-	905
Total current liabilities	53,046	3,362	56,408
Long-term liabilities:			
Compensated absences payable	29,229	-	29,229
Estimated accrued liability for landfill closure and post closure costs	2,998,974	-	2,998,974
Total long-term liabilities	3,028,203	-	3,028,203
Total liabilities	3,081,249	3,362	3,084,611
Net position:			
Investment in capital assets.	976,088	-	976,088
Unrestricted (deficit)	(1,485,346)	94,387	(1,390,959)
Total net position (deficit)	\$ (509,258)	\$ 94,387	\$ (414,871)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Operating revenues:			
Charges for services	\$ 761,619	\$ 101,509	\$ 863,128
Total operating revenues.	<u>761,619</u>	<u>101,509</u>	<u>863,128</u>
Operating expenses:			
Personal services	424,312	-	424,312
Contract services.	57,826	29,732	87,558
Materials and supplies.	122,187	5,780	127,967
Depreciation.	56,063	-	56,063
Landfill closure and post-closure costs . . .	51,260	-	51,260
Utilities	10,255	31,016	41,271
Other	-	7,472	7,472
Total operating expenses.	<u>721,903</u>	<u>74,000</u>	<u>795,903</u>
Operating income	<u>39,716</u>	<u>27,509</u>	<u>67,225</u>
Nonoperating revenues:			
Interest income.	3,588	-	3,588
Total nonoperating revenues	<u>3,588</u>	<u>-</u>	<u>3,588</u>
Change in net position	43,304	27,509	70,813
Net position (deficit) at beginning of year . .	<u>(552,562)</u>	<u>66,878</u>	<u>(485,684)</u>
Net position (deficit) at end of year	<u>\$ (509,258)</u>	<u>\$ 94,387</u>	<u>\$ (414,871)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 DECEMBER 31, 2012

	<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	\$ 761,637	\$ 101,575	\$ 863,212
Cash payments for personal services	(418,536)		(418,536)
Cash payments for contractual services	(89,036)	(29,406)	(118,442)
Cash payments for materials and supplies	(122,136)	(2,744)	(124,880)
Cash payments for utilities	(10,255)	(31,016)	(41,271)
Cash payments for other expenses	-	(13,100)	(13,100)
Net cash provided by operating activities	<u>121,674</u>	<u>25,309</u>	<u>146,983</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(11,826)	-	(11,826)
Net cash used in capital and related financing activities	<u>(11,826)</u>	<u>-</u>	<u>(11,826)</u>
Cash flows from investing activities:			
Interest received	3,652	-	3,652
Net cash provided by investing activities	<u>3,652</u>	<u>-</u>	<u>3,652</u>
Net increase in cash and cash equivalents	113,500	25,309	138,809
Cash and cash equivalents at beginning of year . . .	1,477,255	72,410	1,549,665
Cash and cash equivalents at end of year	<u>\$ 1,590,755</u>	<u>\$ 97,719</u>	<u>\$ 1,688,474</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 39,716	\$ 27,509	\$ 67,225
Adjustments:			
Depreciation	56,063	-	56,063
Changes in assets and liabilities:			
Decrease in accounts receivable	18	66	84
Decrease in materials and supplies inventory	51	-	51
Decrease in prepayments	101	-	101
Decrease in accounts payable	(29,122)	(826)	(29,948)
Increase in accrued wages and benefits	983	-	983
Decrease in due to other governments	(2,348)	(1,440)	(3,788)
Increase in pension obligation payable	138	-	138
Increase in landfill closure and postclosure care liability	51,260	-	51,260
Increase in compensated absences payable	4,814	-	4,814
Net cash provided by operating activities	<u>\$ 121,674</u>	<u>\$ 25,309</u>	<u>\$ 146,983</u>

During 2012, a fully depreciated asset in the amount of \$14,995 was transferred into the sanitary landfill fund from the governmental funds.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2012**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 6,605,323
Cash in segregated accounts	166,071
Receivables:	
Property and other taxes	25,706,534
Due from other governments	1,166,338
Special assessments	195,164
Accrued interest	70
Prepayments	9,527
	<hr/>
Total assets	\$ 33,849,027
	<hr/> <hr/>
Liabilities:	
Accounts payable	\$ 18,531
Due to other governments	28,542,262
Deposits held and due to others	4,749,687
Undistributed assets	538,547
	<hr/>
Total liabilities	\$ 33,849,027
	<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, 2012

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

A. Reporting Entity

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

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

JOINTLY GOVERNED ORGANIZATIONS

Maumee Valley Planning Organization

The Maumee Valley Planning Organization (MVPO) is a jointly governed organization among Henry, Defiance, Fulton, Paulding, and Williams Counties. The MVPO is an organization established to improve the social and economic conditions of the region through development and conservation. The MVPO is governed by a fifteen member executive council composed of the three county commissioners, the mayor of the largest municipality, three mayors selected by the committee of mayors that represent the incorporated cities and villages, the township trustee association president, the regional planning commission chairman, and two members at large to represent business, industry, labor, agricultural, low income, minority groups, education, and consumer protection activities. The County provides resources to the executive council based on a membership fee and services provided to the County. The MVPO exercises total control over the operation of MVPO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the MVPO. In 2012, Henry County contributed \$112,951 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 2012.

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 2012, Henry County contributed \$759,307 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 2012, Henry County contributed \$641,669 for the ADAMHS operations. Information can be obtained from Marlene J. Goodwin, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

Quadco Rehabilitation Center, Administrative Board

The Quadco Rehabilitation Center (Quadco) is a jointly governed organization among Henry, Defiance, Fulton, and Williams Counties. Quadco Rehabilitation Center is a nonprofit corporation which provides services and facilities for training physically and mentally disabled persons. Quadco is responsible for contracting with various agencies to obtain funding to operate the organization. Quadco is governed by an eight-member Board composed of two appointees made by each of the four County Boards Developmental Disabilities (County Boards of DD). This Board, in conjunction with the County Boards of DD, assesses the needs of adult mentally challenged and developmentally disabled residents of each county and sets priorities based on available funds. The County provides resources to the Board based on units of service provided to the County. Quadco exercises total control over the operation of Quadco including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for Quadco. In 2012, Henry County contributed \$82,838 for Quadco's operations. Information can be obtained from Terry Fruth, CFO, Quadco Rehabilitation Center, 427 North Defiance Street, Stryker, Ohio 43557.

Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center

The Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center (Center) is a jointly governed organization among Henry, Defiance, Fulton and Williams Counties. The Center's Board of Trustees consists of thirteen members; three from each county and one at-large member. The Board of Trustees exercises total control over the operation of the Center including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the Center. In 2012, Henry County contributed \$172,192 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 2012, Henry County contributed \$56,154 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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.

During 2012, 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 position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

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

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows, and all liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

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

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

C. Fund Accounting

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

GOVERNMENTAL FUNDS

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

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

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.

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

FIDUCIARY FUNDS

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

D. Basis of Accounting

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

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

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net assets by the County that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the County that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2012, are recorded as deferred inflows in the governmental funds.

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

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

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

E. Budgetary Process

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

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the fall with respective officeholders and department heads.
2. Shortly after the beginning of the year, the Board of County Commissioners passes an appropriation resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.
3. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The revised budget figures reflected in the budgetary statements include the prior year appropriations carried over for liquidations against prior year encumbrances and any amendments to the original appropriation resolution.
5. The Board of County Commissioners appropriate at the fund, department and line item. For funds which are directly appropriated by the Board of County Commissioners, the transfer of appropriations at the fund, department and line item requires a resolution signed by at least two Commissioners.
6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2012.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

7. Unencumbered appropriations lapse at year end. Contracts and purchase-type encumbrances outstanding at year end carry their appropriations with them into the next year. Contracts and purchase-type encumbrances outstanding at year end are recorded as expenditures on the budget basis of accounting.
8. The budgetary procedures described herein apply to all funds except the agency funds.

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

F. Cash and Investments

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2012 amounted to \$109,921 which includes \$75,687 assigned from other County funds.

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

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

G. Inventories of Materials and Supplies

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

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

H. Capital Assets

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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.

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, 2012, 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, 2012, 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

K. Accrued Liabilities and Long-term Obligations

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

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

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, 2012.

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

M. Fund Balance

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

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

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

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

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

N. Net Position

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

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

O. Restricted Assets

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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 2012.

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 2012, the County has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the County.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the County.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the County's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

B. Deficit Fund Balances/Net Position

<u>Major enterprise fund</u>	<u>Deficit</u>
Sanitary landfill	\$ 509,258

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;

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's Asset Reserve of Ohio Investment Pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in items (1) or (2) above or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

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

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

A. Cash on Hand

At year end, the County had \$3,740 in undeposited cash on hand, of which \$1,340 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 \$205,401 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 \$1,358,087 in restricted assets associated with the County landfill. This amount is included in the amount of "deposits with financial institutions" below.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Deposits with Financial Institutions

At December 31, 2012, the carrying amount of all County deposits was \$26,321,268. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2012, \$25,526,902 of the County's bank balance of \$26,618,430 was exposed to custodial risk as discussed below, while \$1,091,528 was covered by the FDIC.

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 26,321,268
Cash on hand	3,740
Total	<u>\$ 26,325,008</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 17,865,140
Business-type activities	1,688,474
Agency funds	6,771,394
Total	<u>\$ 26,325,008</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental fund from:</u>	
General fund	\$ 671,153
Nonmajor governmental funds	244,734
Total	<u>\$ 915,887</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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

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

- B.** Due from/to other funds consisted of the following at December 31, 2012, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	County Board of DD	\$ 700
General	Nonmajor governmental funds	1,876
Motor vehicle and gas tax	General	4,194
Motor vehicle and gas tax	Nonmajor governmental funds	8,736
Nonmajor governmental funds	Nonmajor governmental funds	<u>76,122</u>
Total due to/due from other funds		<u>\$ 91,628</u>

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

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. 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. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, other outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflows since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes has been offset by deferred inflows since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred inflow.

The full tax rate for all County operations for the year ended December 31, 2012 was \$14.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 522,651,390
Commercial/industrial/mineral	62,713,710
Public utility	<u>17,951,590</u>
Total assessed value	<u>\$ 603,316,690</u>

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited to the general fund. A receivable is recognized at year end for amounts that will be received from sales which occurred during 2012 and amounts that are measurable and available at year end are accrued as revenue. Amounts received outside the available period are recorded as deferred inflows on the fund financial statements and as revenue on the government-wide financial statements. Sales and use tax for 2012 amounted to \$3,745,333 as reported on the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2012, consisted of taxes, accrued interest, loans, accounts (billings for user charged services), special assessments, leases, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the financial statements. All interfund transactions related to charges for goods and services rendered have been classified as "due from other funds" on the fund financial statements which are eliminated on the government-wide statements (See Note 5.B.). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 8 - RECEIVABLES - (Continued)

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

Governmental activities:	<u>Amount</u>
Sales taxes	\$ 966,788
Property and other taxes	5,508,155
Accounts	113,786
Due from other governments	4,607,995
Special assessments	551,123
Accrued interest	5,833
Loans	1,670,834
Leases	162,000
Business-type activities:	
Accounts	2,205
Accrued interest	484

Receivables have been disaggregated on the face of the financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments, leases and the loans. The special assessments are collected over the term of the assessment and the loans receivable 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 2012 is as follows:

	<u>Balance</u> <u>12/31/11</u>	<u>Issued</u>	<u>Payments/ Reductions</u>	<u>Balance</u> <u>12/31/12</u>
Revolving loans	<u>\$ 1,380,106</u>	<u>\$ 500,000</u>	<u>\$ (209,272)</u>	<u>\$ 1,670,834</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, 2012

NOTE 10 - LEASES RECEIVABLE

The County is the lessor of two separate buildings; one with the R.I.D.G.E. Project, Inc. and the other with Wesche & Harmon, Ltd.

The lease with the R.I.D.G.E. Project, Inc. is \$1,000 per month payable in monthly installments on or before the 1st of each month for the next 36 months with an option of a 14 month renewal. The County is carrying the Hope School building on their books at a cost of \$39,115 and accumulated depreciation of \$22,686 for a carrying book value of \$16,429.

The future minimum lease payments as of December 31, 2012, are as follows:

Year Ending <u>December 31,</u>	Minimum <u>Lease Payments</u>
2013	\$ 12,000
2014	12,000
2015	12,000
2016	<u>8,000</u>
Totals	<u>\$ 44,000</u>

The lease with Wesche & Harmon, Ltd. is \$500 per month, for the first four months of the lease, payable in monthly installments on or before the 1st of each month, and \$1,000 per month payable in monthly installments on or before the 1st of each month for the remaining 118 months of the 122 month lease. The County is carrying the building on their books at a cost of \$120,000 and accumulated depreciation of \$20,400 for a carrying book value of \$99,600.

The future minimum lease payments as of December 31, 2012, are as follows:

Year Ending <u>December 31,</u>	Minimum <u>Lease Payments</u>
2013	\$ 12,000
2014	12,000
2015	12,000
2016	12,000
2017	12,000
2018-2022	<u>58,000</u>
Totals	<u>\$ 118,000</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/11	Additions	Disposals	Balance 12/31/12
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,776,808	\$ -	\$ -	\$ 1,776,808
Total capital assets, not being depreciated	<u>1,776,808</u>	<u>-</u>	<u>-</u>	<u>1,776,808</u>
<i>Capital assets, being depreciated:</i>				
Building and improvements	25,118,583	7,565	(69,910)	25,056,238
Equipment	1,393,602	33,858	(59,421)	1,368,039
Vehicles	4,786,123	253,083	(472,433)	4,566,773
Infrastructure	<u>38,906,606</u>	<u>3,351,656</u>	<u>-</u>	<u>42,258,262</u>
Total capital assets, being depreciated	<u>70,204,914</u>	<u>3,646,162</u>	<u>(601,764)</u>	<u>73,249,312</u>
<i>Less: accumulated depreciation:</i>				
Building and improvements	(15,554,546)	(738,675)	44,834	(16,248,387)
Equipment	(902,956)	(55,681)	37,866	(920,771)
Vehicles	(2,468,345)	(243,952)	269,680	(2,442,617)
Infrastructure	<u>(17,312,700)</u>	<u>(1,203,516)</u>	<u>-</u>	<u>(18,516,216)</u>
Total accumulated depreciation	<u>(36,238,547)</u>	<u>(2,241,824)</u>	<u>352,380</u>	<u>(38,127,991)</u>
Total capital assets being depreciated, net	<u>33,966,367</u>	<u>1,404,338</u>	<u>(249,384)</u>	<u>35,121,321</u>
Governmental activities capital assets, net	<u>\$ 35,743,175</u>	<u>\$ 1,404,338</u>	<u>\$ (249,384)</u>	<u>\$ 36,898,129</u>

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

Governmental activities:	
General government:	
Legislative and executive	\$ 559,310
Judicial	20,799
Public safety	62,589
Public works	1,351,683
Health	28,720
Human services	206,958
Other	<u>11,765</u>
Total depreciation expense - governmental activities	<u>\$ 2,241,824</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - CAPITAL ASSETS - (Continued)

	Balance 12/31/11	Additions	Deductions	Balance 12/31/12
Business-type activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 249,481	\$ -	\$ -	\$ 249,481
Total capital assets, not being depreciated	<u>249,481</u>	<u>-</u>	<u>-</u>	<u>249,481</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	153,801	-	-	153,801
Machinery and equipment	215,289	11,826	-	227,115
Vehicles	914,131	14,995	-	929,126
Infrastructure	466,421	-	-	466,421
Total capital assets, being depreciated	<u>1,749,642</u>	<u>26,821</u>	<u>-</u>	<u>1,776,463</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(68,685)	(4,322)	-	(73,007)
Machinery and equipment	(52,298)	(11,991)	-	(64,289)
Vehicles	(846,154)	(31,424)	-	(877,578)
Infrastructure	(11,661)	(23,321)	-	(34,982)
Total accumulated depreciation	<u>(978,798)</u>	<u>(71,058)</u>	<u>-</u>	<u>(1,049,856)</u>
Total capital assets, being depreciated net	<u>770,844</u>	<u>(44,237)</u>	<u>-</u>	<u>726,607</u>
Business-type activities capital assets, net	<u>\$ 1,020,325</u>	<u>\$ (44,237)</u>	<u>\$ -</u>	<u>\$ 976,088</u>

NOTE 12 - COMPENSATED ABSENCES

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

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

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 12 - COMPENSATED ABSENCES - (Continued)

At December 31, 2012, vested benefits for vacation leave for governmental activities employees totaled \$604,189 and vested benefits for sick leave totaled \$267,881. In addition, the County has recorded a liability in the governmental funds in the amount of \$180,184 for employees who have notified the County by December 31, 2012 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 \$10,174. 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 \$559,383 for governmental activities employees and \$29,229 for business-type activities employees was accrued to record termination (severance) payments for employees expected to become eligible to retire in the future.

NOTE 13 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2012, the following changes occurred in the County's governmental long-term obligations:

	<u>Balance</u> <u>12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/12</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
2003 - 5% Grelton					
waterline bond	\$ 16,000	\$ -	\$ -	\$ 16,000	\$ 4,000
Total general obligation bonds	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>4,000</u>
<u>OWDA loans:</u>					
1990 - 2% Texas waterline project	42,999	-	(14,049)	28,950	14,330
2002 - 3% Silgan can waterline	<u>42,523</u>	<u>-</u>	<u>(42,523)</u>	<u>-</u>	<u>-</u>
Total OWDA loans	<u>85,522</u>	<u>-</u>	<u>(56,572)</u>	<u>28,950</u>	<u>14,330</u>
<u>Special assessment bonds</u> <u>with governmental commitment:</u>					
1998 - 4.75%	98,493	-	(15,050)	83,443	12,050
Total special assessment bonds	<u>98,493</u>	<u>-</u>	<u>(15,050)</u>	<u>83,443</u>	<u>12,050</u>
<u>Other obligations:</u>					
Compensated absences	1,816,014	725,143	(929,520)	1,611,637	784,373
Mortgage loan - 2%	<u>44,766</u>	<u>-</u>	<u>(6,890)</u>	<u>37,876</u>	<u>7,029</u>
Total other obligations	<u>1,860,780</u>	<u>725,143</u>	<u>(936,410)</u>	<u>1,649,513</u>	<u>791,402</u>
Total governmental activities long-term obligations	<u>\$ 2,060,795</u>	<u>\$ 725,143</u>	<u>\$ (1,008,032)</u>	<u>\$ 1,777,906</u>	<u>\$ 821,782</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - 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 was completely retired in 2012.

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
2013	\$ 4,000	\$ 125	\$ 4,125	\$ 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	2,000	25	2,025	11,869	515	12,384
2018 - 2019	4,000	26	4,026	23,736	1,029	24,765
Total	\$ 16,000	\$ 300	\$ 16,300	\$ 83,443	\$ 16,387	\$ 99,830

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Year Ended	OWDA Loans			Mortgage Loan		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 14,330	\$ 579	\$ 14,909	\$ 7,029	\$ 693	\$ 7,722
2014	14,620	289	14,909	7,171	551	7,722
2015	-	-	-	7,315	407	7,722
2016	-	-	-	7,463	259	7,722
2017	-	-	-	7,614	108	7,722
2018	-	-	-	1,284	3	1,287
Total	\$ 28,950	\$ 868	\$ 29,818	\$ 37,876	\$ 2,021	\$ 39,897

B. Business-type Long-Term Obligations

During 2012, the following changes occurred in the County's business-type long-term obligations:

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Due in One Year
Business-type activities:					
Landfill closure and postclosure care liability	\$ 2,947,714	\$ 51,260	\$ -	\$ 2,998,974	\$ -
Compensated absences	34,589	4,814	-	39,403	10,174
Total	\$ 2,982,303	\$ 56,074	\$ -	\$ 3,038,377	\$ 10,174

Landfill closure and postclosure care liability

See Note 22 for information on this liability.

Compensated absences

Compensated absences will be paid from the sanitary landfill fund.

- 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 \$13,683,625 at December 31, 2012 and the unvoted legal debt margin was \$6,133,875 at December 31, 2012.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 14 - RISK MANAGEMENT

A. Property and Liability Insurance

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

During 2012, 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. BORMA Benefits Pool

The BORMA Benefits Pool is for employee benefits and includes Life Insurance, Accidental Death and Dismemberment Insurance, Health Insurance and Prescription Drug Insurance. Plan options and levels of coverage are established independently by each pool member for its employees. Premiums paid into the pool by each member are based on the level of coverage within each respective plan. The pool includes twenty-one (21) public entities in the State of Ohio. Member contributions are calculated annually to produce a sufficient sum of money within the pool to fund administrative expenses and to create reserves for claims.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 14 - RISK MANAGEMENT - (Continued)

As of December 31, 2012, the pool had total reported assets of \$4,299,599. The 2012 monthly premiums paid by Henry County per covered employee were \$1,257 for family coverage, \$860 for two-party coverage, and \$421 for single coverage. The monthly life insurance premium was \$1.80. The cost of coverage for premiums is paid out of each respective fund and department that pays the salary of the individuals covered under the plan. Employees contribute a portion of each monthly premium through payroll withholding. During 2012, the County paid \$1,109,442 into the pool for all covered benefits. The amount of risk retained by the pool in 2012 was \$175,000 per individual; coverage in excess of this amount was provided by Sun Life Financial.

Both the BORMA P&C and the BORMA Benefits Pools have the ability to require member governments to make supplemental payments in the event reserves are not adequate to cover claims. The probability of this occurring is considered remote due to the adequacy of the pool reserves and premium levels; therefore, no additional amounts have been reserved in the financial statements. Audited financial statements are maintained separately by each pool.

NOTE 15 - 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 2012 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 2012 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.50% and 12.10%, respectively. The County's contribution rate for 2012 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, 2012

NOTE 15 - PENSION PLANS - (Continued)

The County's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The County's contribution rate for pension benefits for members in the Combined Plan and Traditional Plan was 7.95% and 10.00%, respectively. 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, 2012, 2011, and 2010 were \$1,154,445, \$1,221,338, and \$1,061,893, respectively; 87.97% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 pension liability has been reported as pension obligation payable on the basic financial statements. Contributions to the member-directed plan for 2012 were \$25,510 made by the County and \$18,221 made by the plan members.

B. State Teachers Retirement System of Ohio

Plan Description - The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 website at www.strsoh.org, under "Publications".

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 2012, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent 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, 2012

NOTE 15 - PENSION PLANS - (Continued)

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2012, 2011 and 2010 were \$75,693, \$113,600 and \$161,917, respectively; 100 percent has been contributed for 2012, 2011 and 2010.

NOTE 16 - 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 administrated 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 2012 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 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 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, 2012, 2011, and 2010 were \$455,831, \$481,137, and \$595,857, respectively; 87.97% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 post-employment health care benefits liability has been reported as pension obligation payable on the basic financial statements.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 16 - POSTEMPLOYMENT BENEFIT PLANS - (Continued)

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. State Teachers Retirement System of Ohio

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, under "Publications" 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. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2012, 2011 and 2010 were \$5,823, \$8,738 and \$12,455, respectively; 100 percent has been contributed for 2012, 2011 and 2010.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General Fund</u>	<u>County Board of DD</u>	<u>Motor Vehicle and Gas Tax</u>
Budget basis	\$ 598,384	\$ (117,297)	\$ (138,088)
Net adjustment for revenue accruals	63,114	14,347	(10,991)
Net adjustment for expenditure accruals	(110,468)	(38,427)	(43,398)
Adjustment for encumbrances	102,069	80	417,082
Funds budgeted elsewhere	<u>27,392</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$ 680,491</u>	<u>\$ (141,297)</u>	<u>\$ 224,605</u>

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

NOTE 18 - CONTINGENCIES

A. Grants

The County has received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement 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, 2012

NOTE 19 - FUND BALANCE

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

Fund balance	General	Motor Vehicle and Gas Tax	County Board of DD	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepays	\$ 68,762	\$ 16,447	\$ 4,456	\$ 36,202	\$ 125,867
Materials and supplies inventory	<u>26,575</u>	<u>123,622</u>	<u>7,207</u>	<u>10,707</u>	<u>168,111</u>
Total nonspendable	<u>95,337</u>	<u>140,069</u>	<u>11,663</u>	<u>46,909</u>	<u>293,978</u>
Restricted:					
Debt service	-	-	-	116,708	116,708
Capital improvements	-	-	-	218,905	218,905
Public safety	-	-	-	429,850	429,850
Public works	-	2,889,618	-	-	2,889,618
Human services	-	-	1,959,966	1,420,737	3,380,703
Health programs	-	-	-	2,234,898	2,234,898
Economic development programs	-	-	-	2,147,809	2,147,809
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,081,681</u>	<u>2,081,681</u>
Total restricted	<u>-</u>	<u>2,889,618</u>	<u>1,959,966</u>	<u>8,650,588</u>	<u>13,500,172</u>
Committed:					
Public safety	-	-	-	22,269	22,269
Public works	-	-	-	64,902	64,902
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,692</u>	<u>276,692</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>363,863</u>	<u>363,863</u>
Assigned:					
Legislative and executive	2,724	-	-	-	2,724
Judicial	15,908	-	-	-	15,908
Public safety	1,835	-	-	-	1,835
Public works	1,668	-	-	-	1,668
Human services	<u>22,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,624</u>
Total assigned	<u>44,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,759</u>
Unassigned	<u>6,144,007</u>	<u>-</u>	<u>-</u>	<u>(18)</u>	<u>6,143,989</u>
Total fund balances	<u>\$ 6,284,103</u>	<u>\$ 3,029,687</u>	<u>\$ 1,971,629</u>	<u>\$ 9,061,342</u>	<u>\$ 20,346,761</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 20 - 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 2012 was \$153,843.

NOTE 21 - CONDUIT DEBT OBLIGATIONS

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

At December 31, 2012, health care facility revenue bonds outstanding aggregated \$3,080,000.

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, 2012**

NOTE 22 - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,998,974 as of December 31, 2012, which is based on approximately 97.85% usage (filled) of the landfill. It is estimated that an additional \$65,756 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 (2013). The estimated total current cost of \$3,064,730 for landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2012. 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, 2012, cash and cash equivalents of \$1,358,087 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, 2012

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	\$ 117,123
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
National School Lunch Program	10.555	31-R1-6010-1000	16,915
Total U.S. Department of Agriculture			134,038
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	2,656
FY 11 Formula Grant	14.228	B-F-11-1BF-1	84,940
FY 10 Chip CDBG Grant	14.228	B-C-10-1BF-1	365,368
FY 10 Water & Sewer (Okolona)	14.228	B-W-10-1BF-1	513,400
Total Community Development Block Grants			966,364
Home Investment Partnerships Program	14.239	B-C-10-1BF-2	8,000
Total U.S. Department of Housing and Urban Development			974,364
U.S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES VIA AREA 7 WORKFORCE INVESTMENT BOARD			
Employment Service/Wagner - Peysner Funded Activities	17.207	2011-7135-1 & 2012-7135-1	9,528
<i>WIA Cluster:</i>			
WIA Adult	17.258	2011-7135-1 & 2012-7135-1	18,350
WIA Youth Activities	17.259	2011-7135-1 & 2012-7135-1	53,668
ARRA - NEG OH-21 ARRA	17.260	2011-7135-1 & 2012-7135-1	7,588
WIA Dislocated Worker Formula Grants	17.278	2011-7135-1 & 2012-7135-1	43,038
Total WIA Cluster			122,644
Total U.S. Department of Labor			132,172
U.S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION			
<i>Interagency Hazardous Materials Public Sector Training and Planning Grants</i>			
19th Year HMEP Planning	20.703	HM-HMP-0243-11-01-00	1,400
19th Year HMEP Training	20.703	HM-HMP-0243-11-01-00	5,064
Total Interagency Hazardous Materials Public Sector Training and Planning Grants			6,464
Capital Assistance Program for Elderly Persons and Person with Disabilities	20.513	N/A	129,646
<i>Highway Planning and Construction Cluster:</i>			
HEN - Sign Upgrade	20.205	PID 90488	22,819
CEAO Load Rating #3	20.205	PID 90189	1,710
Total Highway Planning and Construction Cluster:			24,529
Total U.S. Department of Transportation			160,639

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HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

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 JOBS AND FAMILY SERVICES			
<i>Promoting Safe and Stable Families:</i>			
Caseworker Visits	93.556	G-1213-11-0052	1,100
ESSA Preservation	93.556	G-1213-11-0052	2,173
ESSA Preservation Operating	93.556	G-1213-11-0052	2,945
ESSA Reunification	93.556	G-1213-11-0052	10,584
ESSA Reunification Operating	93.556	G-1213-11-0052	2,582
Total Promoting Safe and Stable Families			19,384
Temporary Assistance for Needy Families (TANF)	93.558	G-1213-11-0052	450,103
Child Support Enforcement	93.563	G-1415-11-5372	297,943
<i>Child Care and Development Fund Cluster:</i>			
Child Care and Development Block Grant	93.575	G-1213-11-0052	16,537
Child Care Non-Admin/Child Care Services	93.596	G-1213-11-0052	23,763
			40,300
Child Abuse & Neglect	93.590	G-1213-11-0052	2,000
<i>Stephanie Tubbs Jones Child Welfare Services Program:</i>			
Child Welfare Services-Title IV-B	93.645	G-1213-11-0052	26,359
Child Welfare Services-Title IV-B Admin	93.645	G-1213-11-0052	1,792
Total Stephanie Tubbs Jones Child Welfare Services Program			28,151
<i>Foster Care-Title IV-E:</i>			
IV-E Administration & Training - Foster Care	93.658	G-1213-11-0052	43,853
ARRA IV-E FosterCare Services	93.658	G-1213-11-0052	398,034
Total Foster Care-Title IV-E			441,887
<i>Adoption Assistance:</i>			
Non-Recurring Adoption	93.659	G-1213-11-0052	2,000
Adoption Assistance-IV-E Admin and Training	93.659	G-1213-11-0052	41,962
Total Adoption Assistance			43,962
<i>Social Services Block Grant:</i>			
Title XX/Title XX Transfer	93.667	G-1213-11-0052	274,616
[A] Title XX	93.667	24-R1-2035-1000	37,812
Total Social Services Block Grant			312,428
<i>Medical Assistance Program Cluster:</i>			
Medicaid/NET	93.778	G-1213-11-0052	92,238
[A] MAC	93.778	10-R1-2034-1000	36,182
Total Medical Assistance Program			128,420
Federal Chafee Foster Care Independence Program	93.674	G-1213-11-0052	825
Children's Health Insurance Program	93.767	G-1213-11-0052	52,134
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF HEALTH			
<i>Family Planning Services:</i>			
Reproductive Health and Wellness	93.217	03510011RH0112	\$ 46,699
Reproductive Health and Wellness	93.217	03510011RH0213	14,224
Total Family Planning Services			60,923
<i>Grants to States to Support Oral Health Workforce Activities:</i>			
Safety Net Dental Care	93.236	03510011SC0512	57,128
<i>Maternal and Child Health Services Block Grant:</i>			
Reproductive Health and Wellness	93.994	03510011RH0213	1,640
<i>Public Health Emergency Preparedness:</i>			
Public Health Emergency Preparedness	93.069	03510012PH0413	23,724
Public Health Emergency Preparedness	93.069	035100121PH0312	68,266
Total Public Health Emergency Preparedness			91,990

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**HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO SECRETARY OF STATE			
<i>Voting Access for Individuals with Disabilities:</i>			
Poll Worker Online Training	93.617	06-SOS-HHHS-35	220
Poll Worker Online Training	93.617	06-SOS-HHHS-35	480
Polling Place Accessibility	93.617	06-SOS-HHHS-35	692
Total Voting Access for Individuals with Disabilities			<u>1,392</u>
Total U.S. Department of Health and Human Services			<u>2,030,610</u>
U.S. ELECTION ASSISTANCE COMMISSION PASSED THROUGH THE OHIO SECRETARY OF STATE			
<i>Help America Vote Act Requirements:</i>			
Hava Title II	90.401	N/A	266
Pollworker Training Reimbursement	90.401	N/A	751
November election Reimbursement	90.401	N/A	1,040
Total Help America Vote Act Requirements			<u>2,057</u>
Total U.S. Election Assistance Commission			<u>2,057</u>
U.S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE OHIO DEPARTMENT OF PUBLIC SAFETY			
<i>Emergency Management Performance Grants:</i>			
Emergency Management Performance Grants - FY 2012 EMPG	97.042	EMW-2012-EP-00004-S01	33,515
Emergency Management Performance Grants - FY 2011 EMPG Supplemental	97.042	EMW-2011-EP-00003-S01	10,038
Total Emergency Performance & Special Project Equipment Grants			<u>43,553</u>
<i>Homeland Security Grant Program:</i>			
FY 09 State Homeland Security Program - UASI	97.067	2009-SS-T9-0089	39,935
FY 09 State Homeland Security Program - SHSP	97.067	2009-SS-T9-0089	6,297
FY 09 State Homeland Security Program - CCP	97.067	2009-SS-T9-0089	20,960
FY 10 State Homeland Security Program - SHSP	97.067	2010-SS-T0-0012	23,054
Total Homeland Security Grant Program			<u>90,246</u>
Total U.S. Department of Homeland Security			<u>133,799</u>
Total Federal Financial Assistance			<u>\$ 3,567,679</u>

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

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.

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

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Henry County, Ohio:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio (the "County") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 25, 2013, wherein we noted the County adopted the provisions of Governmental Accounting Standards Board Statements No. 60, 62, 63, and 65.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 25, 2013

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Henry County, Ohio:

Report on Compliance for Each Major Federal Program

We have audited Henry County, Ohio's (the "County") compliance with the types of compliance requirements described in the OMB *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, 2012. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

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Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of compliance requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2012, and the related notes to the financials, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 25, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
August 23, 2013

HENRY COUNTY, OHIO
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2012

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weaknesses?	None noted
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	No
Identification of major programs:	
• CFDA 93.558 – Temporary Assistance for Needy Families	
• CFDA 93.658 – Foster Care-Title IV-E	
• CFDA 14.228 – Community Development Block Grant Cluster	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings and Questioned Costs

None noted

HENRY COUNTY, OHIO
Schedule of Prior Audit Findings
Year Ended December 31, 2012

Finding 2011-1 – Investment Income

During the prior audit, it was noted that 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.

Status: Corrected during 2012.

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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
SEPTEMBER 10, 2013