



Dave Yost • Auditor of State



**HENRY COUNTY**  
**TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	17
Statement of Activities .....	18
Fund Financial Statements:	
Balance Sheet –Governmental Funds .....	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	22
Statement of Revenues, Expenditures, and Changes In Fund Balance – Governmental Funds .....	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities .....	25
Statement of Revenues, Expenditures, and Changes in Fund Balance (Non-GAAP Budgetary Basis) – General Fund .....	26
Statement of Revenues, Expenditures, and Changes in Fund Balance (Non-GAAP Budgetary Basis) – County View Haven Fund .....	27
Statement of Revenues, Expenditures, and Changes in Fund Balance (Non-GAAP Budgetary Basis) – Motor Vehicle and Gas Tax Fund .....	28
Statement of Revenues, Expenditures, and Changes in Fund Balance (Non-GAAP Budgetary Basis) – County Board of DD Fund.....	29
Statement of Net Position - Proprietary Funds .....	30
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	31
Statement of Cash Flows - Proprietary Funds.....	32
Statement of Fiduciary Assets and Liabilities – Agency Funds.....	33
Notes to the Basic Financial Statements .....	34
Schedule of Federal Awards Expenditures.....	69
Notes to the Schedule of Federal Awards Expenditures .....	72
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters by <i>Government Auditing Standards</i> .....	75
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	77
Schedule of Findings.....	79

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Henry County  
660 North Perry Street  
P.O. Box 546  
Napoleon, Ohio 43545

To the Board of Commissioners:

### ***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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### **Opinion**

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General, Country View Haven, Motor Vehicle and Gas Tax, and County Board of DD funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2015, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 22, 2015

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## HENRY COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (Unaudited)

The management's discussion and analysis of Henry County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2014. 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 2014 are as follows:

- The total net position of the County decreased \$37,690. Net position of governmental activities increased \$87,489 from 2013. Net position of business-type activities decreased \$125,179, which represents a 33.90% decrease from 2013.
- General revenues accounted for \$11,905,011 or 43.32% of total governmental activities revenue. Program specific revenues accounted for \$15,573,944 or 56.68% of total governmental activities revenue.
- The County had \$27,391,466 in expenses related to governmental activities. \$15,573,944 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$11,905,011 were adequate to provide for these programs.
- The County's major governmental funds are the General fund, Country View Haven fund, Motor Vehicle and Gas Tax fund, and County Board of Developmentally Disabled (DD) fund. The General fund, the County's largest major fund, had revenues and other financing sources of \$8,550,662 in 2014, an increase of \$146,822 or 1.75% from 2013 revenues. The General fund had expenditures and other financing uses of \$9,138,216 in 2014, an increase of \$1,213,581 or 15.31% from 2013. The General fund balance decreased \$587,554 or 8.69% from 2013 to 2014.
- The Country View Haven fund, a County major fund, had revenues of \$785,172 in 2014. The Country View Haven fund had expenditures of \$1,661,860 in 2014. The Country View Haven fund balance decreased \$876,688 or 35.03% from 2013 to 2014.
- The Motor Vehicle and Gas Tax fund, a County major fund, had revenues of \$4,775,124 in 2014. The Motor Vehicle and Gas Tax fund had expenditures of \$4,816,542 in 2014. The Motor Vehicle and Gas Tax fund balance decreased \$41,418 or 1.23% from 2013 to 2014.
- The County Board of DD fund, a County major fund, had revenues of \$5,899,725 in 2014. The County Board of DD fund had expenditures of \$5,715,827 in 2014. The County Board of DD fund balance increased \$183,898 or 9.15% from 2013 to 2014.
- Net position for the business-type activities, which include the Sanitary Landfill, Tower, Hahn Center and Monroe Township landfill fees enterprise funds, decreased in 2014 by \$125,179 or 33.90%.

#### **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

## HENRY COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (Unaudited)

County, there are four major governmental funds. The General fund is the largest major fund.

#### **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 2014?" These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the County is divided into two distinct kinds of activities:

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

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

#### **Reporting the County's Most Significant Funds**

##### *Fund Financial Statements*

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

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General fund, Country View Haven fund, Motor Vehicle and Gas Tax fund, and the County Board of Developmentally Disabled (DD) fund.

##### *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, 2014 (Unaudited)

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

#### ***Proprietary Funds***

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

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

#### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **Government-wide Financial Analysis**

The Statement of Net Position provides the perspective of the County as a whole. The table below provides a summary of the County's net position at December 31, 2014 and December 31, 2013.

## HENRY COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (Unaudited)

	Governmental Activities 2014	Business-type Activities 2014	Governmental Activities 2013	Business-type Activities 2013	2014 Total	2013 Total
<b>Assets:</b>						
Current and other assets	\$ 34,100,058	\$ 1,051,022	\$ 33,252,575	\$ 1,163,448	\$ 35,151,080	\$ 34,416,023
Capital assets, net	<u>37,869,092</u>	<u>909,594</u>	<u>37,250,894</u>	<u>961,229</u>	<u>38,778,686</u>	<u>38,212,123</u>
Total assets	<u>71,969,150</u>	<u>1,960,616</u>	<u>70,503,469</u>	<u>2,124,677</u>	<u>73,929,766</u>	<u>72,628,146</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	1,662,730	2,417,858	1,784,837	2,464,926	4,080,588	4,249,763
Other liabilities	<u>2,130,140</u>	<u>37,152</u>	<u>1,536,764</u>	<u>28,966</u>	<u>2,167,292</u>	<u>1,565,730</u>
Total liabilities	<u>3,792,870</u>	<u>2,455,010</u>	<u>3,321,601</u>	<u>2,493,892</u>	<u>6,247,880</u>	<u>5,815,493</u>
<b>Deferred inflows:</b>	<u>6,101,900</u>	-	<u>5,194,977</u>	-	<u>6,101,900</u>	<u>5,194,977</u>
<b>Net position:</b>						
Net investment in capital assets	37,770,073	909,594	37,118,034	961,229	38,679,667	38,079,263
Restricted	17,631,663	-	17,734,122	-	17,631,663	17,734,122
Unrestricted (deficit)	<u>6,672,644</u>	<u>(1,403,988)</u>	<u>7,134,735</u>	<u>(1,330,444)</u>	<u>5,268,656</u>	<u>5,804,291</u>
Total net position (deficit)	<u>\$ 62,074,380</u>	<u>\$ (494,394)</u>	<u>\$ 61,986,891</u>	<u>\$ (369,215)</u>	<u>\$ 61,579,986</u>	<u>\$ 61,617,676</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the County's assets exceeded liabilities and deferred inflows by \$61,579,986. This amounts to \$62,074,380 in governmental activities and a deficit of \$494,394 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 52.45% 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, 2014, were \$38,679,667. 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.

As of December 31, 2014, 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, \$17,631,663 or 28.40%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net position is \$6,672,644.

The table below shows the changes in net position for governmental and business-type activities for 2014 and 2013.

## HENRY COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (Unaudited)

	Change in Net Position					
	Governmental	Business-Type	Governmental	Business-Type	2014	2013
	Activities	Activities	Activities	Activities	Total	Total
	2014	2014	2013	2013	Total	Total
<b>Revenues:</b>						
Program revenues:						
Charges for services and sales	\$ 4,187,624	\$ 373,669	\$ 4,699,974	\$ 631,664	\$ 4,561,293	\$ 5,331,638
Operating grants and contributions	10,848,421	-	10,589,201	-	10,848,421	10,589,201
Capital grants and contributions	537,899	-	471,251	-	537,899	471,251
Total program revenues	<u>15,573,944</u>	<u>373,669</u>	<u>15,760,426</u>	<u>631,664</u>	<u>15,947,613</u>	<u>16,392,090</u>
General revenues:						
Property taxes	5,437,617	-	5,666,688	-	5,437,617	5,666,688
Sales tax	3,845,164	-	3,774,073	-	3,845,164	3,774,073
Unrestricted grants	2,100,748	-	2,035,492	-	2,100,748	2,035,492
Investment earnings	66,498	1,732	94,891	2,440	68,230	97,331
Gain on sale of capital assets	-	-	-	58,584	-	58,584
Miscellaneous	454,984	-	398,923	-	454,984	398,923
Total general revenues	<u>11,905,011</u>	<u>1,732</u>	<u>11,970,067</u>	<u>61,024</u>	<u>11,906,743</u>	<u>12,031,091</u>
Total revenues	<u>27,478,955</u>	<u>375,401</u>	<u>27,730,493</u>	<u>692,688</u>	<u>27,854,356</u>	<u>28,423,181</u>
<b>Expenses:</b>						
Program expenses:						
General government	4,402,072	-	3,987,007	-	4,402,072	3,987,007
Public safety	3,113,296	-	3,299,454	-	3,113,296	3,299,454
Public works	5,547,444	-	4,280,980	-	5,547,444	4,280,980
Health	1,921,419	-	1,796,944	-	1,921,419	1,796,944
Human services	10,656,231	-	10,721,795	-	10,656,231	10,721,795
Economic development	768,953	-	981,116	-	768,953	981,116
Transportation	550,799	-	604,934	-	550,799	604,934
Intergovernmental	296,609	-	294,272	-	296,609	294,272
Other	110,461	-	174,711	-	110,461	174,711
Interest and fiscal charges	24,182	-	5,578	-	24,182	5,578
Sanitary landfill	-	403,084	-	491,851	403,084	491,851
Other business-type activities:						
Tower fund	-	32,286	-	84,005	32,286	84,005
Hahn Center	-	64,041	-	68,729	64,041	68,729
Monroe Township landfill fees	-	1,169	-	2,447	1,169	2,447
Total expenses	<u>27,391,466</u>	<u>500,580</u>	<u>26,146,791</u>	<u>647,032</u>	<u>27,892,046</u>	<u>26,793,823</u>
Change in net position	87,489	(125,179)	1,583,702	45,656	(37,690)	1,629,358
Net position (deficit) at beginning of year	<u>61,986,891</u>	<u>(369,215)</u>	<u>60,403,189</u>	<u>(414,871)</u>	<u>61,617,676</u>	<u>59,988,318</u>
Net position (deficit) at end of year	<u>\$ 62,074,380</u>	<u>\$ (494,394)</u>	<u>\$ 61,986,891</u>	<u>\$ (369,215)</u>	<u>\$ 61,579,986</u>	<u>\$ 61,617,676</u>

## HENRY COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (Unaudited)

#### Governmental Activities

Governmental net position increased by \$87,489 in 2014 from 2013.

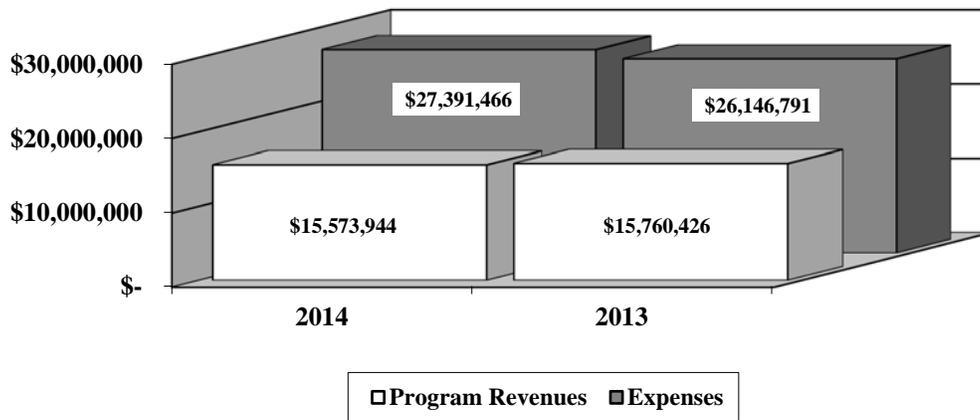
Human services, which supports the operations of the County Board of DD fund and Public Assistance fund, accounts for \$10,656,231 of expenses, or 38.90% of total governmental expenses of the County. These expenses were funded by \$728,637 in charges to users of services and \$4,978,139 in operating grants in 2014. General government expenses which includes legislative and executive and judicial programs, totaled \$4,402,072 or 16.07% of total governmental expenses. General government expenses were partially covered by \$1,829,601 of direct charges to users in 2014.

The State and federal government contributed to the County revenues of \$10,848,421 in operating grants and contributions and \$537,899 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$4,978,139, or 45.89%, subsidized human services programs.

General revenues totaled \$11,905,011, and amounted to 43.32% of total revenues. These revenues primarily consist of property and sales tax revenue of \$9,282,781 or 77.97% of total general revenues in 2014. The other primary source of general revenues is grants and entitlements not restricted to specific programs of \$2,100,748.

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 2014 and 2013. As can be seen in the graph below, the County is reliant upon general revenues to finance operations as program revenues are not sufficient to cover total expenses.

**Governmental Activities – Program Revenues vs. Total Expenses**



The following table shows, for governmental activities, the total cost of services and the net cost of services for 2014 and 2013. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted State grants and entitlements).

**HENRY COUNTY, OHIO**

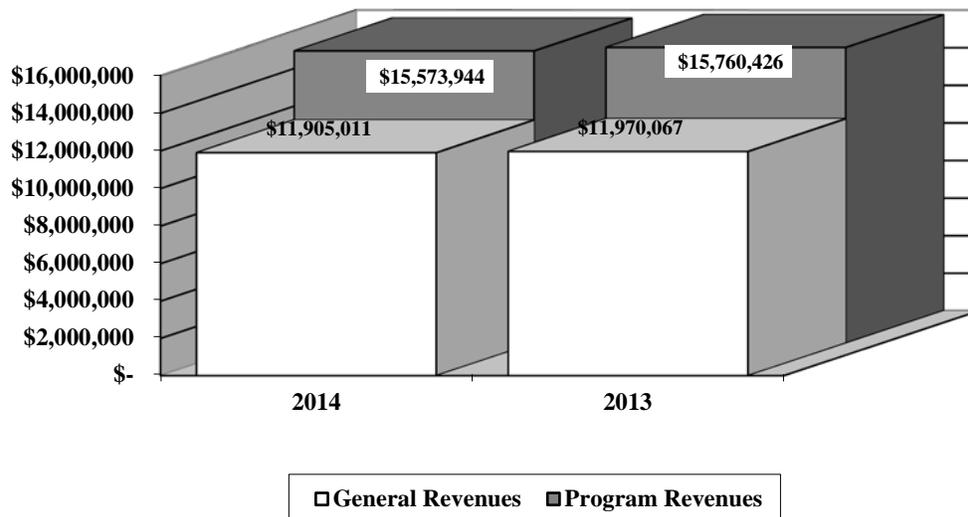
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Unaudited)**

**Governmental Activities**

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
<b>Program expenses:</b>				
General government	\$ 4,402,072	\$ 2,521,173	\$ 3,987,007	\$ 2,100,420
Public safety	3,113,296	2,693,197	3,299,454	2,876,606
Public works	5,547,444	89,365	4,280,980	(900,312)
Health	1,921,419	1,033,438	1,796,944	738,258
Human services	10,656,231	4,949,455	10,721,795	4,885,646
Economic development and assistance	768,953	169,305	981,116	305,374
Transportation	550,799	3,763	604,934	(14,612)
Intergovernmental	296,609	296,609	294,272	294,272
Other	110,461	37,035	174,711	95,135
Interest and fiscal charges	24,182	24,182	5,578	5,578
<b>Total</b>	<b>\$ 27,391,466</b>	<b>\$ 11,817,522</b>	<b>\$ 26,146,791</b>	<b>\$ 10,386,365</b>

The dependence upon general revenues for governmental activities is apparent, with 43.14% and 39.72% of expenses supported through taxes and other general revenues during 2014 and 2013, respectively. The graph below illustrates the County's reliance upon general revenues.

**Governmental Activities – General and Program Revenues**



**Business-Type Activities**

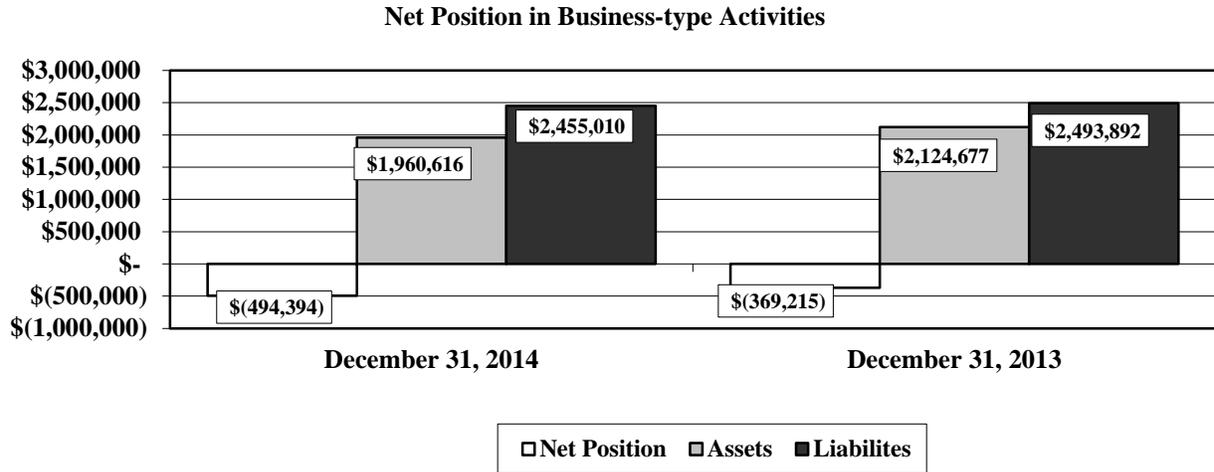
The Sanitary Landfill, Tower, Hahn Center and Monroe Township landfill fees are the County's enterprise funds. These programs had revenues of \$373,669, general revenues of \$1,732, and expenses of \$500,580 for 2014.

**HENRY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Unaudited)**

The business-type activities net position decreased \$125,179 or 33.90% during 2014.

The following graph illustrates the assets, liabilities, and net position of the County's business-type activities at December 31, 2014 and December 31, 2013.



**Financial Analysis of the County's Funds**

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

***Governmental Funds***

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

**HENRY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Unaudited)

The County's governmental funds reported a combined fund balance of \$20,886,422, which is \$843,832 less than last year's total of \$21,730,254. The following schedule indicates the fund balance and the total change in fund balance as of December 31, 2014 and December 31, 2013 for all major and nonmajor governmental funds.

	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>(Decrease)</u>
<b>Major funds:</b>			
General	\$ 6,175,754	\$ 6,763,308	\$ (587,554)
Country view haven fund	1,626,303	2,502,991	(876,688)
Motor vehicle and gas tax	3,332,637	3,374,055	(41,418)
County board of DD	2,193,516	2,009,618	183,898
Other nonmajor governmental funds	<u>7,558,212</u>	<u>7,080,282</u>	<u>477,930</u>
Total	<u>\$ 20,886,422</u>	<u>\$ 21,730,254</u>	<u>\$ (843,832)</u>

**General Fund**

The General fund, the County's largest major fund, had revenues and other financing sources of \$8,550,662 in 2014, which represents a \$146,822 increase from 2013 revenues. The General fund had expenditures and other financing uses of \$9,138,216 in 2014, an increase of \$1,213,581 or 15.31% from 2013. The General fund balance decreased \$587,554 or 8.69% from 2013 to 2014.

The table that follows assists in illustrating the revenues of the General fund during 2014 and 2013.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Taxes	\$ 5,617,770	\$ 5,521,458	1.74 %
Charges for services	1,106,409	1,138,322	(2.80) %
Licenses and permits	1,631	1,641	(0.61) %
Fines and forfeitures	62,831	73,480	(14.49) %
Intergovernmental	1,186,255	1,139,192	4.13 %
Investment income	66,498	94,891	(29.92) %
Other	<u>494,906</u>	<u>434,856</u>	13.81 %
Total	<u>\$ 8,536,300</u>	<u>\$ 8,403,840</u>	1.58 %

The decrease in fines and forfeitures was due to a decrease in municipal court fines. The decrease in investment income is due to less interest recorded on the County's certificates of deposit during 2014. Other revenues increased due to an increase in various miscellaneous reimbursements. All other revenue remained comparable to 2013.

The table that follows assists in illustrating the expenditures of the General fund during 2014 and 2013.

**HENRY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Unaudited)

	<u>2014</u>	<u>2013</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b>Expenditures:</b>			
Current:			
General government			
Legislative and executive	\$ 2,126,396	\$ 1,901,233	11.84 %
Judicial	1,349,244	1,338,034	0.84 %
Public safety	2,700,158	2,700,437	(0.01) %
Public works	304,362	206,348	47.50 %
Health	62,125	60,695	2.36 %
Human services	319,326	318,705	0.19 %
Economic development and assistance	178,010	166,950	6.62 %
Intergovernmental	296,609	294,272	0.79 %
Other	31,260	83,609	(62.61) %
Total	<u>\$ 7,367,490</u>	<u>\$ 7,070,283</u>	4.20 %

Expenditures have increased 4.20% from 2013 for the County. The significant areas of change in expenditures are general government legislative and executive, public works, and other. The increase in legislative and executive can be primarily attributed to increases in commissioner and auditor employee salary increases and commission motor vehicles expenditures. The increase in public works can be primarily attributed to an increase in expenditures related to courthouse improvements. The decrease in other expenditures was due to decreases in unanticipated emergencies. All other expenditures remained comparable to 2013.

***Country View Haven Fund***

The Country View Haven fund, a County major fund, had revenues of \$785,172 in 2014. The Country View Haven fund had expenditures of \$1,661,860 in 2014. The Country View Haven fund balance decreased \$876,688 or 35.03% from 2013 to 2014 primarily due to the fund's tax levy expiring at the end of 2013 and the resulting reduction in tax revenue in 2014.

***Motor Vehicle and Gas Tax Fund***

The Motor Vehicle and Gas tax fund, a County major fund, had revenues of \$4,775,124 in 2014. The Motor Vehicle and Gas Tax fund had expenditures of \$4,816,542 in 2014. The Motor Vehicle and Gas Tax fund balance decreased \$41,418 or 1.23% from 2013 to 2014.

***County Board of Developmental Disabled (DD) Fund***

The County Board of DD fund, a County major fund, had revenues of \$5,899,725 in 2014. The County Board of DD fund had expenditures of \$5,715,827 in 2014. The County Board of DD fund balance increased \$183,898 or 9.15% from 2013 to 2014.

***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, 2014 (Unaudited)

Original budgeted revenues were \$8,061,070. Final budgeted revenues and other financing sources were \$8,511,668. Actual revenues and other financing sources of \$8,321,710 were less than final budgeted revenues by \$189,958. Original budgeted expenditures and other financing uses were \$8,124,965. Final budgeted expenditures and other financing uses were \$9,413,032. Actual expenditures and other financing uses of \$8,976,921 were less than final budgeted expenditures by \$436,111. 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 2014.

#### *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 \$251,401 in 2014, a decrease of \$192,073 or 43.31% from 2013 revenues. The Sanitary Landfill fund had operating expenses of \$403,084 in 2014, a decrease of \$88,767 or 18.05% from 2013. The Sanitary Landfill fund also reported \$1,732 in non-operating revenues during 2014. The net change in operating revenues and expenses contributed to the decrease in net position of \$149,951 during 2014.

#### **Capital Assets and Debt Administration**

##### *Capital Assets*

At the end of 2014, the County had \$38,778,686 (net of accumulated depreciation) invested in land, buildings and improvements, machinery and equipment, vehicles and infrastructure. Of this total, \$37,869,092 was reported in governmental activities and \$909,594 was reported in business-type activities. The following table shows December 31, 2014 balances compared to December 31, 2013.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,940,808	\$ 1,940,808	\$ 249,481	\$ 249,481	\$ 2,190,289	\$ 2,190,289
Building and improvements	8,554,582	8,347,919	72,148	76,471	8,626,730	8,424,390
Machinery and equipment	527,463	544,232	134,500	146,603	661,963	690,835
Vehicles	2,474,613	2,199,993	68,668	80,556	2,543,281	2,280,549
Infrastructure	24,371,626	24,217,942	384,797	408,118	24,756,423	24,626,060
Total	<u>\$ 37,869,092</u>	<u>\$ 37,250,894</u>	<u>\$ 909,594</u>	<u>\$ 961,229</u>	<u>\$ 38,778,686</u>	<u>\$ 38,212,123</u>

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, 2014  
(Unaudited)**

***Debt Administration***

At December 31, 2014 the County had \$2,469,682 in general obligation bonds, special assessment bonds, mortgage loan and an estimated liability for landfill/post closure. Of this total \$27,184 is due within one year and \$2,442,498 is due in greater than one year. The following table summarizes the outstanding debt at December 31, 2014.

**Outstanding Long-Term Obligations, at Year End**

	Governmental Activities 2014	Business-Type Activities 2014	Total 2014
<b>Long-term obligations:</b>			
General obligation bonds	\$ 16,000	\$ -	\$ 16,000
Special assessment bonds	59,343	-	59,343
Mortgage loan	23,676	-	23,676
Estimated liability for landfill closure/post closure	-	2,370,663	2,370,663
<b>Total</b>	<b>\$ 99,019</b>	<b>\$ 2,370,663</b>	<b>\$ 2,469,682</b>

At December 31, 2014 the County's overall legal debt margin was \$17,427,236. 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 2014.

The County's unemployment rate is 5.2%, compared to the 5.1% state average and the 5.6% national average.

State funding is expected to flatten over the next few years due to the minimum payments the State has now set in place.

These economic factors were considered in preparing the County's budget for fiscal year 2014. Budgeted revenues and other financing sources in the General fund for 2014 is \$8,500,602. 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, 2014

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 18,595,300	\$ 199,032	\$ 18,794,332
Cash in segregated accounts . . . . .	68,539	350	68,889
Receivables:			
Sales taxes . . . . .	990,209	-	990,209
Property and other taxes . . . . .	6,404,214	-	6,404,214
Accounts . . . . .	62,860	6,816	69,676
Due from other governments . . . . .	5,219,223	-	5,219,223
Special assessments . . . . .	517,695	-	517,695
Accrued interest . . . . .	5,820	275	6,095
Loans . . . . .	1,757,365	-	1,757,365
Leases . . . . .	114,000	-	114,000
Prepayments . . . . .	215,868	2,176	218,044
Materials and supplies inventory . . . . .	148,965	49	149,014
Restricted assets:			
Equity in pooled cash and cash equivalents	-	842,324	842,324
Capital assets:			
Land . . . . .	1,940,808	249,481	2,190,289
Depreciable capital assets, net . . . . .	35,928,284	660,113	36,588,397
Total capital assets, net . . . . .	<u>37,869,092</u>	<u>909,594</u>	<u>38,778,686</u>
Total assets . . . . .	<u>71,969,150</u>	<u>1,960,616</u>	<u>73,929,766</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	596,455	20,992	617,447
Contracts payable . . . . .	437,929	-	437,929
Accrued wages and benefits payable . . . . .	596,680	6,853	603,533
Pension obligation payable . . . . .	188,565	959	189,524
Due to other governments . . . . .	186,529	8,348	194,877
Deposits held and due to others . . . . .	68,323	-	68,323
Amount to be repaid to claimants . . . . .	54,343	-	54,343
Accrued interest payable . . . . .	1,316	-	1,316
Long-term liabilities:			
Due within one year . . . . .	647,490	22,070	669,560
Due in more than one year . . . . .	1,015,240	2,395,788	3,411,028
Total liabilities . . . . .	<u>3,792,870</u>	<u>2,455,010</u>	<u>6,247,880</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next year . . . . .	5,987,900	-	5,987,900
Leases receivable . . . . .	114,000	-	114,000
Total deferred inflows of resources . . . . .	<u>6,101,900</u>	<u>-</u>	<u>6,101,900</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	37,770,073	909,594	38,679,667
Restricted for:			
Capital projects . . . . .	936,542	-	936,542
Debt service . . . . .	85,610	-	85,610
Public safety programs . . . . .	459,314	-	459,314
Public works projects . . . . .	4,639,988	-	4,639,988
Human services . . . . .	5,055,933	-	5,055,933
Health programs . . . . .	1,687,148	-	1,687,148
Economic development programs . . . . .	2,018,090	-	2,018,090
Other purposes . . . . .	2,749,038	-	2,749,038
Unrestricted (deficit) . . . . .	<u>6,672,644</u>	<u>(1,403,988)</u>	<u>5,268,656</u>
Total net position (deficit) . . . . .	<u>\$ 62,074,380</u>	<u>\$ (494,394)</u>	<u>\$ 61,579,986</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<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>
<b>Governmental activities:</b>				
Current:				
General government:				
Legislative and executive . . . . .	\$ 2,940,852	\$ 1,451,160	\$ 11,993	\$ -
Judicial . . . . .	1,461,220	378,441	39,305	-
Public safety . . . . .	3,113,296	176,113	243,986	-
Public works . . . . .	5,547,444	133,030	4,787,150	537,899
Health . . . . .	1,921,419	851,724	36,257	-
Human services . . . . .	10,656,231	728,637	4,978,139	-
Economic development and assistance . . . . .	768,953	-	599,648	-
Transportation . . . . .	550,799	468,519	78,517	-
Intergovernmental . . . . .	296,609	-	-	-
Other . . . . .	110,461	-	73,426	-
Interest and fiscal charges . . . . .	24,182	-	-	-
Total governmental activities . . . . .	<u>27,391,466</u>	<u>4,187,624</u>	<u>10,848,421</u>	<u>537,899</u>
<b>Business-type activities:</b>				
Sanitary landfill . . . . .	403,084	251,401	-	-
Tower fund . . . . .	32,286	44,346	-	-
Hahn Center . . . . .	64,041	76,932	-	-
Monroe Township landfill fees . . . . .	<u>1,169</u>	<u>990</u>	<u>-</u>	<u>-</u>
Total business-type activities . . . . .	<u>500,580</u>	<u>373,669</u>	<u>-</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 27,892,046</u>	<u>\$ 4,561,293</u>	<u>\$ 10,848,421</u>	<u>\$ 537,899</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 position (deficit) at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,477,699)	\$ -	\$ (1,477,699)
(1,043,474)	-	(1,043,474)
(2,693,197)	-	(2,693,197)
(89,365)	-	(89,365)
(1,033,438)	-	(1,033,438)
(4,949,455)	-	(4,949,455)
(169,305)	-	(169,305)
(3,763)	-	(3,763)
(296,609)	-	(296,609)
(37,035)	-	(37,035)
(24,182)	-	(24,182)
(11,817,522)	-	(11,817,522)
-	(151,683)	(151,683)
-	12,060	12,060
-	12,891	12,891
-	(179)	(179)
-	(126,911)	(126,911)
(11,817,522)	(126,911)	(11,944,433)
1,780,982	-	1,780,982
3,290,112	-	3,290,112
360,893	-	360,893
5,630	-	5,630
3,845,164	-	3,845,164
2,100,748	-	2,100,748
66,498	1,732	68,230
454,984	-	454,984
11,905,011	1,732	11,906,743
87,489	(125,179)	(37,690)
61,986,891	(369,215)	61,617,676
\$ 62,074,380	\$ (494,394)	\$ 61,579,986

**HENRY COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 5,717,313	\$ 1,717,113	\$ 2,626,759	\$ 2,367,460
Cash in segregated accounts . . . . .	-	216	-	221
Receivables:				
Sales taxes . . . . .	990,209	-	-	-
Property and other taxes . . . . .	1,687,932	794,321	-	3,524,800
Accounts . . . . .	24,703	16,973	2,762	10,494
Due from other governments . . . . .	539,456	11,926	2,287,005	330,676
Special assessments . . . . .	-	-	-	-
Accrued interest . . . . .	4,519	-	1,027	-
Loans . . . . .	-	-	-	-
Due from other funds . . . . .	3,371	-	10,885	-
Leases receivable . . . . .	114,000	-	-	-
Prepayments . . . . .	77,076	13,859	21,753	65,826
Materials and supplies inventory . . . . .	22,034	-	114,878	3,494
Total assets . . . . .	<u>\$ 9,180,613</u>	<u>\$ 2,554,408</u>	<u>\$ 5,065,069</u>	<u>\$ 6,302,971</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 110,683	\$ 23,990	\$ 85,366	\$ 64,334
Contracts payable . . . . .	-	-	-	-
Accrued wages and benefits payable . . . . .	148,663	50,705	52,940	217,041
Compensated absences payable . . . . .	201	-	-	403
Due to other funds . . . . .	3,783	100	1,122	14,139
Due to other governments . . . . .	75,772	29,641	14,074	31,810
Pension obligation payable . . . . .	52,794	17,422	19,832	53,419
Deposits held and due to others . . . . .	-	-	-	221
Amount to be repaid to claimants . . . . .	54,343	-	-	-
Total liabilities . . . . .	<u>446,239</u>	<u>121,858</u>	<u>173,334</u>	<u>381,367</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next year . . . . .	1,578,206	742,685	-	3,295,666
Delinquent property tax revenue not available . . . . .	109,726	51,636	-	229,134
Special assessments revenue not available . . . . .	-	-	-	-
Sales tax revenue not available . . . . .	397,422	-	-	-
Unavailable grant revenue . . . . .	-	-	-	-
Lease revenue not available . . . . .	114,000	-	-	-
Nonexchange transactions . . . . .	359,266	11,926	1,559,098	203,288
Total deferred inflows of resources . . . . .	<u>2,558,620</u>	<u>806,247</u>	<u>1,559,098</u>	<u>3,728,088</u>
<b>Fund balances:</b>				
Nonspendable . . . . .	99,110	13,859	136,631	69,320
Restricted . . . . .	-	1,612,444	3,196,006	2,124,196
Committed . . . . .	-	-	-	-
Assigned . . . . .	196,170	-	-	-
Unassigned (deficit) . . . . .	5,880,474	-	-	-
Total fund balances . . . . .	<u>6,175,754</u>	<u>1,626,303</u>	<u>3,332,637</u>	<u>2,193,516</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 9,180,613</u>	<u>\$ 2,554,408</u>	<u>\$ 5,065,069</u>	<u>\$ 6,302,971</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 6,166,655	\$ 18,595,300
68,102	68,539
-	990,209
397,161	6,404,214
7,928	62,860
2,050,160	5,219,223
517,695	517,695
274	5,820
1,757,365	1,757,365
23,237	37,493
-	114,000
37,354	215,868
8,559	148,965
<u>\$ 11,034,490</u>	<u>\$ 34,137,551</u>
\$ 312,082	\$ 596,455
437,929	437,929
127,331	596,680
-	604
18,349	37,493
35,232	186,529
45,098	188,565
68,102	68,323
-	54,343
<u>1,044,123</u>	<u>2,166,921</u>
371,343	5,987,900
25,818	416,314
517,695	517,695
-	397,422
1,494,140	1,494,140
-	114,000
23,159	2,156,737
<u>2,432,155</u>	<u>11,084,208</u>
45,913	364,833
7,333,024	14,265,670
183,384	183,384
-	196,170
(4,109)	5,876,365
<u>7,558,212</u>	<u>20,886,422</u>
<u>\$ 11,034,490</u>	<u>\$ 34,137,551</u>

**HENRY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2014

<b>Total governmental fund balances</b>		\$	20,886,422
<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.			37,869,092
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	416,314	
Sales taxes receivable		397,422	
Special assessments receivable		517,695	
Intergovernmental receivable		3,650,877	
Total		<u>4,982,308</u>	4,982,308
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.			(1,316)
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		(59,343)	
Mortgage loans payable		(23,676)	
Compensated absences payable		(1,563,107)	
Total		<u>(1,662,126)</u>	(1,662,126)
<b>Net position of governmental activities</b>		\$	<u><u>62,074,380</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**HENRY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>
<b>Revenues:</b>				
Sales taxes . . . . .	\$ 3,817,207	\$ -	\$ -	\$ -
Property and other taxes . . . . .	1,800,563	14,934	-	3,259,815
Charges for services . . . . .	1,106,409	664,163	-	630,797
Licenses and permits . . . . .	1,631	-	-	-
Fines and forfeitures . . . . .	62,831	-	50,365	-
Intergovernmental . . . . .	1,186,255	16,781	4,714,384	1,947,802
Special assessments . . . . .	-	-	-	-
Investment income . . . . .	66,498	-	6,375	-
Rental income . . . . .	39,922	71,337	4,000	-
Contributions and donations . . . . .	-	1,435	-	11,574
Other . . . . .	454,984	16,522	-	49,737
Total revenues . . . . .	<u>8,536,300</u>	<u>785,172</u>	<u>4,775,124</u>	<u>5,899,725</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	2,126,396	-	-	-
Judicial . . . . .	1,349,244	-	-	-
Public safety . . . . .	2,700,158	-	-	-
Public works . . . . .	304,362	-	4,816,542	-
Health . . . . .	62,125	1,661,860	-	-
Human services . . . . .	319,326	-	-	5,708,105
Economic development and assistance . . . . .	178,010	-	-	-
Transportation . . . . .	-	-	-	-
Intergovernmental . . . . .	296,609	-	-	-
Other . . . . .	31,260	-	-	-
Capital outlay . . . . .	-	-	-	-
Debt service:				
Principal retirement . . . . .	-	-	-	7,171
Interest and fiscal charges . . . . .	-	-	-	551
Total expenditures . . . . .	<u>7,367,490</u>	<u>1,661,860</u>	<u>4,816,542</u>	<u>5,715,827</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,168,810</u>	<u>(876,688)</u>	<u>(41,418)</u>	<u>183,898</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	14,362	-	-	-
Transfers (out) . . . . .	<u>(1,770,726)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) . . . . .	<u>(1,756,364)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances . . . . .	(587,554)	(876,688)	(41,418)	183,898
<b>Fund balances at beginning of year . . . . .</b>	<u>6,763,308</u>	<u>2,502,991</u>	<u>3,374,055</u>	<u>2,009,618</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 6,175,754</u>	<u>\$ 1,626,303</u>	<u>\$ 3,332,637</u>	<u>\$ 2,193,516</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 3,817,207
364,307	5,439,619
1,383,476	3,784,845
105,254	106,885
67,439	180,635
4,458,176	12,323,398
460,706	460,706
40,942	113,815
-	115,259
78,597	91,606
296,500	817,743
<u>7,255,397</u>	<u>27,251,718</u>
580,898	2,707,294
82,418	1,431,662
531,388	3,231,546
143,598	5,264,502
131,750	1,855,735
4,598,768	10,626,199
590,943	768,953
550,799	550,799
-	296,609
67,813	99,073
1,204,869	1,204,869
26,670	33,841
23,917	24,468
<u>8,533,831</u>	<u>28,095,550</u>
<u>(1,278,434)</u>	<u>(843,832)</u>
1,787,364	1,801,726
<u>(31,000)</u>	<u>(1,801,726)</u>
<u>1,756,364</u>	<u>-</u>
477,930	(843,832)
7,080,282	21,730,254
<u>\$ 7,558,212</u>	<u>\$ 20,886,422</u>

**HENRY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Net change in fund balances - total governmental funds** \$ (843,832)

*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	\$ 2,820,440	
Current year depreciation	<u>(2,154,078)</u>	
Total		666,362

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (48,164)

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

Property taxes	(2,002)	
Sales taxes	27,957	
Special assessments	5,265	
Intergovernmental revenues	<u>196,017</u>	
Total		227,237

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. 33,841

In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. 286

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. 51,759

**Change in net position of governmental activities** \$ 87,489

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Sales taxes . . . . .	\$ 3,672,868	\$ 3,803,160	\$ 3,803,160	\$ -
Property and other taxes. . . . .	1,733,000	1,768,649	1,768,649	-
Charges for services. . . . .	973,750	1,031,151	924,732	(106,419)
Licenses and permits . . . . .	1,560	1,641	1,631	(10)
Fines and forfeitures . . . . .	70,000	70,000	62,185	(7,815)
Intergovernmental. . . . .	1,251,992	1,287,486	1,188,943	(98,543)
Investment income. . . . .	40,000	40,000	66,931	26,931
Rental income . . . . .	33,200	39,922	39,922	-
Other . . . . .	284,700	455,297	451,195	(4,102)
<b>Total revenues . . . . .</b>	<b>8,061,070</b>	<b>8,497,306</b>	<b>8,307,348</b>	<b>(189,958)</b>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	1,996,355	2,172,998	2,062,451	110,547
Judicial . . . . .	1,272,835	1,298,798	1,225,063	73,735
Public safety . . . . .	2,847,910	2,841,780	2,693,360	148,420
Public works . . . . .	214,759	354,358	308,325	46,033
Health . . . . .	62,662	62,662	114,111	(51,449)
Human services . . . . .	401,605	401,605	301,256	100,349
Economic development and assistance	150,024	177,541	177,541	-
Intergovernmental . . . . .	296,609	296,609	296,609	-
Other . . . . .	86,500	35,975	27,479	8,496
<b>Total expenditures . . . . .</b>	<b>7,329,259</b>	<b>7,642,326</b>	<b>7,206,195</b>	<b>436,131</b>
Excess of revenues over expenditures . .	731,811	854,980	1,101,153	246,173
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	14,362	14,362	-
Transfers (out). . . . .	(795,706)	(1,770,706)	(1,770,726)	(20)
<b>Total other financing sources (uses) . . . .</b>	<b>(795,706)</b>	<b>(1,756,344)</b>	<b>(1,756,364)</b>	<b>(20)</b>
Net change in fund balance. . . . .	(63,895)	(901,364)	(655,211)	246,153
<b>Fund balance at beginning of year . . . .</b>	<b>5,847,917</b>	<b>5,847,917</b>	<b>5,847,917</b>	<b>-</b>
<b>Prior year encumbrances appropriated .</b>	<b>63,895</b>	<b>63,895</b>	<b>63,895</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 5,847,917</b>	<b>\$ 5,010,448</b>	<b>\$ 5,256,601</b>	<b>\$ 246,153</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 COUNTRY VIEW HAVEN  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services . . . . .	\$ 525,000	\$ 731,007	\$ 731,007	\$ -
Intergovernmental . . . . .	242,858	242,858	16,781	(226,077)
Rental income . . . . .	27,000	71,337	71,337	-
Contributions and donations. . . . .	1,520	1,520	1,375	(145)
Other . . . . .	5,000	16,558	16,557	(1)
Total revenues . . . . .	<u>801,378</u>	<u>1,063,280</u>	<u>837,057</u>	<u>(226,223)</u>
<b>Expenditures:</b>				
Current:				
Health . . . . .	<u>1,806,532</u>	<u>1,806,532</u>	<u>1,682,083</u>	<u>124,449</u>
Total expenditures . . . . .	<u>1,806,532</u>	<u>1,806,532</u>	<u>1,682,083</u>	<u>124,449</u>
Net change in fund balance. . . . .	(1,005,154)	(743,252)	(845,026)	(101,774)
<b>Fund balance at beginning of year . . . .</b>	2,440,766	2,440,766	2,440,766	-
<b>Prior year encumbrances appropriated .</b>	<u>25,167</u>	<u>25,167</u>	<u>25,167</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,460,779</u>	<u>\$ 1,722,681</u>	<u>\$ 1,620,907</u>	<u>\$ (101,774)</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines and forfeitures . . . . .	\$ 67,000	\$ 67,000	\$ 49,084	\$ (17,916)
Intergovernmental . . . . .	4,938,740	5,248,871	4,601,649	(647,222)
Fines and forfeitures . . . . .	1,932	3,484	3,484	-
Investment income . . . . .	6,000	6,300	6,300	-
Rental income . . . . .	2,218	4,000	4,000	-
Other . . . . .	3,083	3,083	3,083	-
Total revenues . . . . .	<u>5,018,973</u>	<u>5,332,738</u>	<u>4,667,600</u>	<u>(665,138)</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	<u>5,176,737</u>	<u>5,326,838</u>	<u>5,067,290</u>	<u>259,548</u>
Total expenditures . . . . .	<u>5,176,737</u>	<u>5,326,838</u>	<u>5,067,290</u>	<u>259,548</u>
Net change in fund balance. . . . .	(157,764)	5,900	(399,690)	(405,590)
<b>Fund balance at beginning of year . . . .</b>	2,664,353	2,664,353	2,664,353	-
<b>Prior year encumbrances appropriated .</b>	<u>157,764</u>	<u>157,764</u>	<u>157,764</u>	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,664,353</u>	<u>\$ 2,828,017</u>	<u>\$ 2,422,427</u>	<u>\$ (405,590)</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, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property and other taxes. . . . .	\$ 3,100,000	\$ 3,126,105	\$ 3,126,105	\$ -
Charges for services . . . . .	800,000	800,000	654,007	(145,993)
Intergovernmental . . . . .	1,853,128	1,942,228	1,945,816	3,588
Contributions and donations. . . . .	5,000	11,574	11,574	-
Other . . . . .	25,000	51,529	51,529	-
<b>Total revenues . . . . .</b>	<u>5,783,128</u>	<u>5,931,436</u>	<u>5,789,031</u>	<u>(142,405)</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	5,921,453	5,970,614	5,724,086	246,528
<b>Total expenditures . . . . .</b>	<u>5,921,453</u>	<u>5,970,614</u>	<u>5,724,086</u>	<u>246,528</u>
<b>Net change in fund balance. . . . .</b>	(138,325)	(39,178)	64,945	104,123
<b>Fund balance at beginning of year . . . . .</b>	1,922,154	1,922,154	1,922,154	-
<b>Prior year encumbrances appropriated . . . . .</b>	48,325	48,325	48,325	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,832,154</u>	<u>\$ 1,931,301</u>	<u>\$ 2,035,424</u>	<u>\$ 104,123</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sanitary Landfill</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . . . .	\$ 44,698	\$ 154,334	\$ 199,032
Cash with fiscal and escrow agents . . . . .	350	-	350
Receivables (net of allowance for uncollectibles):			
Accounts . . . . .	4,995	1,821	6,816
Accrued interest . . . . .	275	-	275
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	842,324	-	842,324
Prepayments . . . . .	2,176	-	2,176
Materials and supplies inventory . . . . .	49	-	49
Total current assets . . . . .	<u>894,867</u>	<u>156,155</u>	<u>1,051,022</u>
Noncurrent assets:			
Capital assets:			
Land . . . . .	249,481	-	249,481
Depreciable capital assets, net . . . . .	<u>660,113</u>	<u>-</u>	<u>660,113</u>
Total capital assets, net . . . . .	<u>909,594</u>	<u>-</u>	<u>909,594</u>
Total noncurrent assets . . . . .	<u>909,594</u>	<u>-</u>	<u>909,594</u>
Total assets . . . . .	<u>1,804,461</u>	<u>156,155</u>	<u>1,960,616</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	19,025	1,967	20,992
Accrued wages and benefits payable . . . . .	6,853	-	6,853
Compensated absences payable . . . . .	22,070	-	22,070
Due to other governments . . . . .	6,328	2,020	8,348
Pension obligation payable . . . . .	959	-	959
Total current liabilities . . . . .	<u>55,235</u>	<u>3,987</u>	<u>59,222</u>
Long-term liabilities:			
Compensated absences payable . . . . .	25,125	-	25,125
Estimated accrued liability for landfill closure and post closure costs . . . . .	<u>2,370,663</u>	<u>-</u>	<u>2,370,663</u>
Total long-term liabilities . . . . .	<u>2,395,788</u>	<u>-</u>	<u>2,395,788</u>
Total liabilities . . . . .	<u>2,451,023</u>	<u>3,987</u>	<u>2,455,010</u>
<b>Net position:</b>			
Investment in capital assets . . . . .	909,594	-	909,594
Unrestricted (deficit) . . . . .	<u>(1,556,156)</u>	<u>152,168</u>	<u>(1,403,988)</u>
Total net position (deficit) . . . . .	<u>\$ (646,562)</u>	<u>\$ 152,168</u>	<u>\$ (494,394)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2014

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Sanitary Landfill</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 251,401	\$ 122,268	\$ 373,669
Total operating revenues. . . . .	<u>251,401</u>	<u>122,268</u>	<u>373,669</u>
<b>Operating expenses:</b>			
Personal services . . . . .	140,774	-	140,774
Contract services. . . . .	160,611	41,290	201,901
Materials and supplies. . . . .	433	3,190	3,623
Depreciation. . . . .	51,635	-	51,635
Landfill closure and post-closure costs . .	36,110	-	36,110
Utilities . . . . .	13,521	32,567	46,088
Other . . . . .	-	20,449	20,449
Total operating expenses. . . . .	<u>403,084</u>	<u>97,496</u>	<u>500,580</u>
Operating income (loss) . . . . .	<u>(151,683)</u>	<u>24,772</u>	<u>(126,911)</u>
<b>Nonoperating revenues:</b>			
Interest income . . . . .	1,732	-	1,732
Total nonoperating revenues . . . . .	<u>1,732</u>	<u>-</u>	<u>1,732</u>
Change in net position . . . . .	(149,951)	24,772	(125,179)
<b>Net position (deficit) at beginning of year .</b>	<u>(496,611)</u>	<u>127,396</u>	<u>(369,215)</u>
<b>Net position (deficit) at end of year . . . .</b>	<u>\$ (646,562)</u>	<u>\$ 152,168</u>	<u>\$ (494,394)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sanitary Landfill</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from charges for services . . . . .	\$ 248,392	\$ 122,247	\$ 370,639
Cash payments for personal services . . . . .	(130,669)	-	(130,669)
Cash payments for contractual services . . . . .	(154,738)	(40,985)	(195,723)
Cash payments for materials and supplies . . . . .	(469)	(2,672)	(3,141)
Cash payments for utilities . . . . .	(13,521)	(32,567)	(46,088)
Cash payments for other expenses . . . . .	-	(20,449)	(20,449)
Cash payments for landfill closure and post closure costs . . . . .	(91,476)	-	(91,476)
Net cash provided by (used in) operating activities . . . . .	<u>(142,481)</u>	<u>25,574</u>	<u>(116,907)</u>
<b>Cash flows from investing activities:</b>			
Interest received . . . . .	1,748	-	1,748
Net cash provided by investing activities . . . . .	<u>1,748</u>	<u>-</u>	<u>1,748</u>
Net increase (decrease) in cash and cash equivalents . . . . .	(140,733)	25,574	(115,159)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>1,028,105</b>	<b>128,760</b>	<b>1,156,865</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 887,372</u></b>	<b><u>\$ 154,334</u></b>	<b><u>\$ 1,041,706</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss) . . . . .	\$ (151,683)	\$ 24,772	\$ (126,911)
Adjustments:			
Depreciation . . . . .	51,635	-	51,635
Changes in assets and liabilities:			
(Increase) in accounts receivable . . . . .	(3,009)	(21)	(3,030)
(Increase) in materials and supplies inventory . . . . .	(36)	-	(36)
Decrease in prepayments . . . . .	317	-	317
Increase in accounts payable . . . . .	2,210	1,018	3,228
Increase in accrued wages and benefits . . . . .	1,248	-	1,248
Increase (decrease) in due to other governments . . . . .	3,731	(195)	3,536
Increase in pension obligation payable . . . . .	174	-	174
(Decrease) in landfill closure and postclosure care liability . . . . .	(55,366)	-	(55,366)
Increase in compensated absences payable . . . . .	8,298	-	8,298
Net cash provided by (used in) operating activities . . . . .	<u>\$ (142,481)</u>	<u>\$ 25,574</u>	<u>\$ (116,907)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
DECEMBER 31, 2014**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 7,494,257
Cash in segregated accounts . . . . .	130,995
Receivables:	
Property and other taxes . . . . .	30,918,946
Due from other governments . . . . .	1,213,740
Special assessments . . . . .	108,161
Accrued interest . . . . .	134
Prepayments . . . . .	8,781
	<hr/>
Total assets . . . . .	\$ 39,875,014
	<hr/> <hr/>
<b>Liabilities:</b>	
Accounts payable . . . . .	\$ 30,396
Due to other governments . . . . .	38,569,342
Deposits held and due to others . . . . .	729,351
Undistributed assets . . . . .	545,925
	<hr/>
Total liabilities . . . . .	\$ 39,875,014
	<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, 2014

#### NOTE 1 - DESCRIPTION OF THE COUNTY

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

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

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

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

##### A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB statement No. 39 "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity Omnibus". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statements No. 14 and No. 39 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's Board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

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

##### *POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS*

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

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

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

**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 2014, Henry County contributed \$123,010 for the MVPO's operations. Information can be obtained from Brett J. Kolb, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

*Corrections Commission of Northwest Ohio*

The Corrections Commission of Northwest Ohio (CCNO) is a jointly governed organization among Henry, Defiance, Fulton, Lucas and Williams Counties and the City of Toledo. The CCNO was established to provide jail space for convicted criminals in the five counties and the City of Toledo and to provide a correctional center for the inmates. The CCNO was created in 1986 and occupancy started in 1991. The commission team consists of eighteen members; one judge, one chief law enforcement officer and one county commissioner or administrative official from each entity. The commission team exercises total control over the operation of the CCNO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CCNO. In 2014, Henry County contributed \$833,036 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 2014, Henry County contributed \$659,365 for the ADAMHS operations. Information can be obtained from Jill Little, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

(Continued)

#### 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 2014, Henry County contributed \$33,616 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 2014, Henry County contributed \$184,340 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.

##### Community Improvement Corporation of Henry County

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 2014, Henry County contributed \$55,642 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, 2014 (Continued)

#### 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 2014, 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. 2<sup>nd</sup> Street, Suite 200, Defiance, Ohio 43512.

In January 2015, the Commissioners from Defiance, Fulton, Henry, and Paulding counties agreed to dissolve the Authority.

#### *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, 2014 (Continued)

#### 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, 2014 (Continued)

#### 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 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.

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

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

*County Board of Developmentally Disabled (DD Fund)* - This fund accounts for the operation of a school and the costs of administering a workshop for the 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 Fund* - This fund accounts for user charges and related expenses, as well as the estimated liability for closure and post closure costs related to the County Landfill.

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

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)

#### 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, 2014  
(Continued)

**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, 2014, but which were levied to finance year 2015 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, sales tax revenue, lease revenue not available, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2014, 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 2014.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

**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 2014 amounted to \$66,498 which includes \$50,332 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, 2014  
(Continued)

**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, 2014, 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, 2014, 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, 2014 (Continued)

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

##### **J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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, 2014.

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, 2014 (Continued)

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

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

#### **O. Restricted Assets**

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

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

**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 2014.

**Q. Estimates**

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

**R. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. The County did not receive any capital contribution during 2014.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2014, the County has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the County.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the County.

**B. Deficit/Net Position**

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Henry County Water and Sewer District	\$ 130
Dog and Kennel	3,832
<u>Major Enterprise Fund</u>	
Sanitary Landfill	646,562

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)

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

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

#### NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

##### A. Cash on Hand

At year end, the County had \$3,441 in undeposited cash on hand, of which \$1,041 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 \$199,884 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 \$842,324 in restricted assets associated with the County landfill. This amount is included in the amount of "deposits with financial institutions" below.

##### D. Deposits with Financial Institutions

At December 31, 2014, the carrying amount of all County deposits was \$27,327,356. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2014, \$26,668,549 of the County's bank balance of \$27,426,581 was exposed to custodial risk as discussed below, while \$758,032 was covered by the FDIC.

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

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**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, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 27,327,356
Cash on hand	3,441
Total	<u>\$ 27,330,797</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 18,663,839
Business-type activities	1,041,706
Agency funds	<u>7,625,252</u>
Total	<u>\$ 27,330,797</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended December 31, 2014, consisted of the following, as reported on the fund financial statements:

<u>Transfers to general fund from:</u>	
Nonmajor governmental funds	\$ 14,362
 <u>Transfers to nonmajor governmental fund from:</u>	
General fund	1,770,726
Nonmajor governmental funds	<u>16,638</u>
Total	<u>\$ 1,801,726</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. \$14,362 in residual fund equity was transferred from nonmajor governmental funds to the general fund.

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

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

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

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

**B.** Due from/to other funds consisted of the following at December 31, 2014, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Motor vehicle and gas tax	\$ 1,122
General	Nonmajor governmental funds	2,249
Motor vehicle and gas tax	General	3,783
Motor vehicle and gas tax	County View Haven	100
Motor vehicle and gas tax	County Board of DD	620
Motor vehicle and gas tax	Nonmajor governmental funds	6,382
Nonmajor governmental funds	County Board of DD	13,519
Nonmajor governmental funds	Nonmajor governmental funds	<u>9,718</u>
Total due to/due from other funds		<u>\$ 37,493</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. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 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, 2014  
(Continued)

**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, 2014 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 2014 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, 2014 was \$12.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 668,138,840
Commercial/industrial/mineral	63,416,970
Public utility	<u>22,072,880</u>
Total assessed value	<u>\$ 753,628,690</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 2014 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 2014 amounted to \$3,817,207 as reported on the fund financial statements.

**NOTE 8 – RECEIVABLES**

Receivables at December 31, 2014, 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, 2014  
(Continued)

**NOTE 8 - RECEIVABLES - (Continued)**

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

<b>Governmental activities:</b>	<u>Amount</u>
Sales taxes	\$ 990,209
Property and other taxes	6,404,214
Accounts	62,860
Due from other governments	5,219,223
Special assessments	517,695
Accrued interest	5,820
Loans	1,757,365
Leases	114,000
<b>Business-type activities:</b>	
Accounts	6,816
Accrued interest	275

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 are collected over the term of the loan. The leases receivable will be collected annually through 2022 (See Note 10).

**NOTE 9 - LOANS RECEIVABLE**

The County maintains revolving loan programs for local businesses to encourage business development in the County and housing rehabilitation to bring homes into conformance with local and state codes. A summary of the County's loan activity for 2014 is as follows:

	<u>Balance 12/31/13</u>	<u>Issued</u>	<u>Payments/ Reductions</u>	<u>Balance 12/31/14</u>
CDBG Microenterprise	\$ 61,379	\$ -	\$ (32,748)	\$ 28,631
CDBG Economic Development	1,624,318	276,500	(439,124)	1,461,694
CDBG Housing	<u>225,355</u>	<u>46,553</u>	<u>(4,868)</u>	<u>267,040</u>
Total revolving loans	<u>\$ 1,911,052</u>	<u>\$ 323,053</u>	<u>\$ (476,740)</u>	<u>\$ 1,757,365</u>

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

**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 1<sup>st</sup> of each month for the next 32 months with an option of a 14 month renewal. The County is carrying the Hope School building on its books at a cost of \$39,115 and accumulated depreciation of \$24,250 for a carrying book value of \$14,865.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

**10 - LEASES RECEIVABLE - (Continued)**

The future minimum lease payments as of December 31, 2014, are as follows:

Year Ending <u>December 31,</u>	Minimum <u>Lease Payments</u>
2015	\$ 12,000
2016	<u>8,000</u>
Totals	<u>\$ 20,000</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 1<sup>st</sup> of each month, and \$1,000 per month payable in monthly installments on or before the 1<sup>st</sup> 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 \$25,200 for a carrying book value of \$94,800.

The future minimum lease payments as of December 31, 2014, are as follows:

Year Ending <u>December 31,</u>	Minimum <u>Lease Payments</u>
2015	\$ 12,000
2016	12,000
2017	12,000
2018	12,000
2019	12,000
2020 - 2022	<u>34,000</u>
Totals	<u>\$ 94,000</u>

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/13	Additions	Disposals	Balance 12/31/14
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,940,808	\$ -	\$ -	\$ 1,940,808
Total capital assets, not being depreciated	<u>1,940,808</u>	<u>-</u>	<u>-</u>	<u>1,940,808</u>
<i>Capital assets, being depreciated:</i>				
Building and improvements	25,066,916	694,495	-	25,761,411
Equipment	1,445,681	77,029	(33,563)	1,489,147
Vehicles	4,897,048	579,566	(27,600)	5,449,014
Infrastructure	<u>44,016,739</u>	<u>1,469,350</u>	<u>-</u>	<u>45,486,089</u>
Total capital assets, being depreciated	<u>75,426,384</u>	<u>2,820,440</u>	<u>(61,163)</u>	<u>78,185,661</u>
<i>Less: accumulated depreciation:</i>				
Building and improvements	(16,718,997)	(487,832)	-	(17,206,829)
Equipment	(901,449)	(62,434)	2,199	(961,684)
Vehicles	(2,697,055)	(288,146)	10,800	(2,974,401)
Infrastructure	<u>(19,798,797)</u>	<u>(1,315,666)</u>	<u>-</u>	<u>(21,114,463)</u>
Total accumulated depreciation	<u>(40,116,298)</u>	<u>(2,154,078)</u>	<u>12,999</u>	<u>(42,257,377)</u>
Total capital assets being depreciated, net	<u>35,310,086</u>	<u>666,362</u>	<u>(48,164)</u>	<u>35,928,284</u>
Governmental activities capital assets, net	<u>\$ 37,250,894</u>	<u>\$ 666,362</u>	<u>\$ (48,164)</u>	<u>\$ 37,869,092</u>

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

<b>Governmental activities:</b>	
General government:	
Legislative and executive	\$ 304,684
Judicial	19,734
Public safety	77,324
Public works	1,486,964
Health	31,217
Human services	222,390
Other	<u>11,765</u>
Total depreciation expense - governmental activities	<u>\$ 2,154,078</u>

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

**NOTE 11 - CAPITAL ASSETS - (Continued)**

	Balance 12/31/13	Additions	Deductions	Balance 12/31/14
<b>Business-type activities:</b>				
<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	215,115	-	-	215,115
Vehicles	421,920	-	-	421,920
Infrastructure	466,421	-	-	466,421
Total capital assets, being depreciated	<u>1,257,257</u>	<u>-</u>	<u>-</u>	<u>1,257,257</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(77,330)	(4,323)	-	(81,653)
Machinery and equipment	(68,512)	(12,103)	-	(80,615)
Vehicles	(341,364)	(11,888)	-	(353,252)
Infrastructure	(58,303)	(23,321)	-	(81,624)
Total accumulated depreciation	<u>(545,509)</u>	<u>(51,635)</u>	<u>-</u>	<u>(597,144)</u>
Total capital assets, being depreciated net	<u>711,748</u>	<u>(51,635)</u>	<u>-</u>	<u>660,113</u>
Business-type activities capital assets, net	<u>\$ 961,229</u>	<u>\$ (51,635)</u>	<u>\$ -</u>	<u>\$ 909,594</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 50% of his or her accumulated unused sick leave, up to a maximum of 90 days upon retirement from the County. Each employee of the County with five to ten years of service is paid 25% of his or her accumulated unused sick leave, up to a maximum of 45 days 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, 2014  
(Continued)

**NOTE 12 - COMPENSATED ABSENCES - (Continued)**

At December 31, 2014, vested benefits for vacation leave for governmental activities employees totaled \$619,702 and vested benefits for sick leave totaled \$358,261. In addition, the County has recorded a liability in the governmental funds in the amount of \$604 for employees who have notified the County by December 31, 2014 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 \$11,500 and vested benefits for sick leave totaled \$10,570. 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 \$585,144 for governmental activities employees and \$25,125 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 2014, the following changes occurred in the County's governmental long-term obligations:

	Balance <u>12/31/13</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/14</u>	Amount Due in <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
2003 - 5% Grelton					
waterline bond	\$ 16,000	\$ -	\$ -	\$ 16,000	\$ 8,000
Total general obligation bonds	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>8,000</u>
<u>OWDA loans:</u>					
1990 - 2% Texas waterline project					
1990 - 2% Texas waterline project	14,620	-	(14,620)	-	-
Total OWDA loans	<u>14,620</u>	<u>-</u>	<u>(14,620)</u>	<u>-</u>	<u>-</u>
<u>Special assessment bonds with governmental commitment:</u>					
1998 - 4.75%					
1998 - 4.75%	71,393	-	(12,050)	59,343	11,869
Total special assessment bonds	<u>71,393</u>	<u>-</u>	<u>(12,050)</u>	<u>59,343</u>	<u>11,869</u>
<u>Other obligations:</u>					
Compensated absences					
Compensated absences	1,651,977	679,243	(767,509)	1,563,711	620,306
Mortgage loan - 2%					
Mortgage loan - 2%	30,847	-	(7,171)	23,676	7,315
Total other obligations	<u>1,682,824</u>	<u>679,243</u>	<u>(774,680)</u>	<u>1,587,387</u>	<u>627,621</u>
Total governmental activities long-term obligations	<u>\$ 1,784,837</u>	<u>\$ 679,243</u>	<u>\$ (801,350)</u>	<u>\$ 1,662,730</u>	<u>\$ 647,490</u>

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

**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.

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.

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%.

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
2015	\$ 8,000	\$ 4,500	\$ 12,500	\$ 11,869	\$ 4,776	\$ 16,645
2016	2,000	400	2,400	11,869	515	12,384
2017	2,000	300	2,300	11,869	515	12,384
2018	2,000	200	2,200	11,869	515	12,384
2019	2,000	100	2,100	11,867	514	12,381
Total	<u>\$ 16,000</u>	<u>\$ 5,500</u>	<u>\$ 21,500</u>	<u>\$ 59,343</u>	<u>\$ 6,835</u>	<u>\$ 66,178</u>

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

Year Ended	Mortgage Loan		
	Principal	Interest	Total
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	<u>\$ 23,676</u>	<u>\$ 777</u>	<u>\$ 24,453</u>

**B. Business-type Long-Term Obligations**

During 2014, the following changes occurred in the County's business-type long-term obligations:

	Balance 12/31/13	Additions	Reductions	Balance 12/31/14	Due in One Year
<b>Business-type activities:</b>					
Landfill closure and postclosure care liability	\$ 2,426,029	\$ 36,110	\$ (91,476)	\$ 2,370,663	\$ -
Compensated absences	38,897	8,298	-	47,195	22,070
Total	<u>\$ 2,464,926</u>	<u>\$ 44,408</u>	<u>\$ (91,476)</u>	<u>\$ 2,417,858</u>	<u>\$ 22,070</u>

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 \$17,429,367 at December 31, 2014 and the unvoted legal debt margin was \$7,624,937 at December 31, 2014.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

**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 2014, 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.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

**NOTE 14 - RISK MANAGEMENT - (Continued)**

**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 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.

As of December 31, 2014, the pool had cash reserves of \$987,849, which, in the opinion of management, is adequate for any claims currently pending against the pool. The 2014 monthly premiums paid by Henry County per covered employee were \$1,295 for family coverage, \$873 for employee and spouse coverage, \$803 for employee & children coverage and \$468 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 2014, the County was not required to pay into the pool for covered benefits. The amount of risk retained by the pool in 2014 was \$250,000 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.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)

#### NOTE 15 - PENSION PLANS - (Continued)

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, 277 East Town Street, 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 2014 member and employer 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 2014 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 12.00% and 13.00%, respectively. The County's contribution rate for 2014 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.

The County's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. For those plan members in law enforcement and public safety pension contributions were 16.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$1,410,314, \$1,481,943, and \$1,154,445, respectively; 92.00% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 pension liability has been reported as pension obligation payable on the basic financial statements. Contributions to the Member-Directed Plan for 2014 were \$23,377 made by the County and \$16,698 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 East Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://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 9.50% 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 with five years of service credit; 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.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)

#### NOTE 15 - PENSION PLANS - (Continued)

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 January 1, 2014 through June 30, 2014, plan members were required to contribute 11.00% of their annual covered salaries. For July 1, 2014 through December 31, 2014, plan members were required to contribute 12.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations for January 1, 2014 through June 30, 2014 and 14.00% was the portion used to fund pension obligations for July 1, 2014 through December 31, 2014. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14.00% for members and 14.00% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the year ended December 31, 2012 was \$75,693. 100 percent has been contributed for 2012. The County transferred responsibility for the Hope School Program to the local school districts and is no longer required to record an obligation for STRS Ohio.

#### NOTE 16 - POSTRETIREMENT BENEFIT PLANS

##### A. Ohio Public Employees Retirement System

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, 277 East Town Street, 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.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

(Continued)

#### **NOTE 16 - POSTEMPLOYMENT BENEFIT PLANS - (Continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014 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 and Combined Plan for 2014 was 2.00%.

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, 2014, 2013, and 2012 were \$230,173, \$111,692, and \$455,831, respectively; 92.00% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 post-employment health care benefits liability has been reported as due to other governments/pension obligation payable on the basic financial statements.

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 4.00% 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](http://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. From January 1, 2014 through June 30, 2014, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. From July 1, 2014 through December 31, 2014, STRS Ohio did not allocate any percentage of employer contributions to the Health Care Stabilization Fund. The County's contributions for health care for the year ended December 31, 2012 was \$5,823. 100% has been contributed for 2012. The County transferred responsibility for the Hope School Program to the local school districts and is no longer required to record an obligation for STRS Ohio.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

**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,
- (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>	Country View <u>Haven</u>	Motor Vehicle <u>and Gas Tax</u>	County Board <u>of DD</u>
Budget basis	\$ (655,211)	\$ (845,026)	\$ (399,690)	\$ 64,945
Net adjustment for revenue accruals	54,417	(51,885)	(150,402)	110,694
Net adjustment for expenditure accruals	(120,957)	(3,637)	304,342	(2,741)
Adjustment for encumbrances	75,811	23,860	204,332	11,000
Funds budgeted elsewhere	<u>58,386</u>	<u>-</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$ (587,554)</u>	<u>\$ (876,688)</u>	<u>\$ (41,418)</u>	<u>\$ 183,898</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.

**HENRY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**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.

**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:

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

**NOTE 19 - FUND BALANCE – (Continued)**

Fund balance	General	Country View Haven	Motor Vehicle and Gas Tax	County Board of DD	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepays	\$ 77,076	\$ 13,859	\$ 21,753	\$ 65,826	\$ 37,354	\$ 215,868
Materials and supplies inventory	<u>22,034</u>	<u>-</u>	<u>114,878</u>	<u>3,494</u>	<u>8,559</u>	<u>148,965</u>
Total nonspendable	<u>99,110</u>	<u>13,859</u>	<u>136,631</u>	<u>69,320</u>	<u>45,913</u>	<u>364,833</u>
Restricted:						
Debt service	-	-	-	-	85,610	85,610
Capital improvements	-	-	-	-	404,648	404,648
Public safety	-	-	-	-	472,513	472,513
Public works	-	-	3,196,006	-	-	3,196,006
Human services	-	-	-	2,124,196	1,566,838	3,691,034
Health programs	-	1,612,444	-	-	245	1,612,689
Economic development programs	-	-	-	-	2,018,090	2,018,090
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,785,080</u>	<u>2,785,080</u>
Total restricted	<u>-</u>	<u>1,612,444</u>	<u>3,196,006</u>	<u>2,124,196</u>	<u>7,333,024</u>	<u>14,265,670</u>
Committed:						
Capital improvements	-	-	-	-	15,476	15,476
Public safety	-	-	-	-	38,577	38,577
Public works	-	-	-	-	65,923	65,923
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,408</u>	<u>63,408</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,384</u>	<u>183,384</u>
Assigned:						
Legislative and executive	315	-	-	-	-	315
Judicial	101	-	-	-	-	101
Public safety	7,517	-	-	-	-	7,517
Public works	4,945	-	-	-	-	4,945
Human services	24,018	-	-	-	-	24,018
Subsequent year appropriations	<u>159,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,274</u>
Total assigned	<u>196,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,170</u>
Unassigned (deficit)	<u>5,880,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,109)</u>	<u>5,876,365</u>
Total fund balances	<u>\$ 6,175,754</u>	<u>\$ 1,626,303</u>	<u>\$ 3,332,637</u>	<u>\$ 2,193,516</u>	<u>\$ 7,558,212</u>	<u>\$ 20,886,422</u>

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

(Continued)

#### **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 2014 was \$145,237.

#### **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, 2014, health care facility revenue bonds outstanding aggregated \$3,000,000.

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, 2014  
(Continued)

**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 \$2,370,663 as of December 31, 2014, which is based on approximately 100% usage (filled) of the landfill. The landfill was closed during 2013. The estimated total current cost for landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2014. 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, 2014, cash and cash equivalents of \$842,324 are held for these purposes. These cash and cash equivalents are held and managed by the County and are presented on the County's financial statements as "restricted assets: equity in pooled cash and cash equivalents". It is anticipated that future inflation costs will be financed in part from interest. The remaining portion of anticipated future inflation costs (including inadequate interest, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by taxpayers.

**NOTE 23 - OTHER COMMITMENTS**

The County utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the County's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 37,316
Country view haven	4,013
Motor vehicle and gas tax	137,391
County board of DD	5,024
Nonmajor governmental	<u>124,718</u>
Total	<u>\$ 308,462</u>

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**HENRY COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF JOB AND FAMILY SERVICES</b>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1415-11-5371	<b>\$111,427</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEVELOPMENT SERVICES AGENCY OFFICE OF HOUSING AND COMMUNITY PARTNERSHIP</b>			
FY 12 Formula Grant	14.228	B-F-12-1BF-1	48,200
FY 13 Formula Grant	14.228	B-F-13-1BF-1	75,000
FY 12 Chip CDBG Grant	14.228	B-C-12-1BF-1	427,183
FY 12 Water & Sewer (McClure)	14.228	B-W-12-1BF-1	5,000
Community Development Block Grant Revolving Loans	14.228		323,612
Community Development Block Grant Housing Loans	14.228		4,152
Total Community Development Block Grants			<b>883,147</b>
Home Investment Partnerships Program Grant Housing Loan	14.239		9,047
<b>Total U.S. Department of Housing and Urban Development</b>			<b>892,194</b>
<b>U.S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF JOB AND FAMILY SERVICES VIA AREA 7 WORKFORCE INVESTMENT BOARD</b>			
<i>Workforce Investment Act (WIA) Cluster:</i>			
WIA - Adult Program	17.258	2013-7135-1/2014-7135-1	57,223
WIA - Adult Program Administrative			1,906
WIA - OMJ Branding			6,354
Total Adult Program			65,483
WIA - Youth Program	17.259	2013-7135-1/2014-7135-1	61,262
WIA - Youth Program Administrative			2,132
Total Youth Program			63,394
WIA - Dislocated Worker Program	17.278	2013-7135-1/2014-7135-1	7,549
WIA - Dislocated Worker Program Administrative			598
Total Dislocated Worker Program			8,147
<b>Total U.S. Department of Labor</b>			<b>137,024</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION</b>			
Interagency Hazardous Materials Public Sector Training and Planning Grants - 21st Year	20.703	HM-HMP-0355-13-01-00	1,308
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	CRD-0035-005-131	19,040
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	CRD-0035-005-141	48,867
Total Enhanced Mobility of Seniors and Individuals with Disabilities			67,907
<b>Total U.S. Department of Transportation</b>			<b>69,215</b>

---(continued)

**HENRY COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE</b>	<b>CFDA NUMBER</b>	<b>PASS-THROUGH GRANT NUMBER</b>	<b>(C) CASH FEDERAL DISBURSEMENTS</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b><u>PASSED THROUGH THE OHIO DEPARTMENT OF HEALTH</u></b>			
Special Education - Grants for Infants and Families (Help Me Grow)	84.181	03510021HG0314	44,981
Special Education - Grants for Infants and Families (Help Me Grow)	84.181	03510021HG0415	1,788
Total Special Education - Grants for Infants and Families (Help Me Grow)			<u>46,769</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b><u>PASSED THROUGH THE OHIO DEPARTMENT OF JOB AND FAMILY SERVICES</u></b>			
Promoting Safe and Stable Families Cluster:			
Caseworker Visits	93.556	G-1415-11-5371	1,446
Caseworker Administration	93.556	G-1415-11-5371	168
ESSA Preservation	93.556	G-1415-11-5371	10,470
ESSA Preservation Operating	93.556	G-1415-11-5371	4,297
ESSA Reunification	93.556	G-1415-11-5371	8,645
ESSA Reunification Operating	93.556	G-1415-11-5371	3,793
Total Promoting Safe and Stable Families			<u>28,819</u>
Temporary Assistance for Needy Families (TANF)	93.558	G-1415-11-5371	484,150
Child Support Enforcement	93.563	G-1415-11-5372	312,272
Child Care and Development Block Grant	93.575	G-1415-11-5371	25,048
Child Abuse & Neglect	93.590	G-1415-11-5371	1,851
Stephanie Tubbs Jones Child Welfare Services Program:			
Child Welfare Services-Title IV-B	93.645	G-1415-11-5371	37,220
Child Welfare Services-Title IV-B Admin	93.645	G-1415-11-5371	3,616
Total Stephanie Tubbs Jones Child Welfare Services Program			<u>40,836</u>
Foster Care-Title IV-E:			
IV-E Administration & Training - Foster Care	93.658	G-1415-11-5371	33,962
Title IV-E Foster Care Services	93.658	G-1415-11-5371	371,159
Total Foster Care-Title IV-E			<u>405,121</u>
Adoption Assistance:			
IV-E Administration & Training - Adoption Assistance	93.659	G-1415-11-5371	28,177
Non-Recurring Adoption	93.659	G-1415-11-5371	437
Total Adoption Assistance			<u>28,614</u>
Social Services Block Grant	93.667	G-1415-11-5371	269,262
Federal Chafee Foster Care Independence Program	93.674	G-1415-11-5371	9,525
Children's Health Insurance Program	93.767	G-1415-11-5371	9,900
Total Passed Through the Ohio Job and Family Services			<u>1,615,398</u>
<b><u>PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES</u></b>			
Social Services Block Grant (Title XX)	93.667	N/A	<u>34,996</u>

---(continued)

**HENRY COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL DISBURSEMENTS
<b><u>PASSED THROUGH THE OHIO DEPARTMENT OF MEDICAID</u></b>			
Medical Assistance Program - ODJFS	93.778	G-1415-11-5371	266,802
Medical Administrative Claims (MAC) Payments - ODODD	93.778	N/A	<u>79,751</u>
Total Passed Through the Ohio Department of Medicaid			<u>346,553</u>
Total All Social Services Block Grant - CFDA #93.667			304,258
Total All Medical Assistance Programs - CFDA #93.778			346,553
<b><u>PASSED THROUGH OHIO SECRETARY OF STATE OFFICE</u></b>			
Voting Access for Individuals with Disabilities	93.617		1,043
<b><u>PASSED THROUGH THE AREA OFFICE OF AGING OF NORTHWESTERN OHIO, INC.</u></b>			
<i>Aging Cluster:</i>			
<i>Special Programs for the Aging-</i>			
Title III Part B - Grants for Supportive Services and Senior Centers	93.044	N/A	55,561
Nutrition Services Incentive Program (NSIP)	93.053	N/A	26,208
Title III Part C - Nutrition Services	93.045	N/A	<u>11,073</u>
Total Aging Cluster			<u>92,842</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>2,090,832</u></b>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE OHIO DEPARTMENT OF PUBLIC SAFETY</u></b>			
<i>Emergency Management Performance Grants:</i>			
Emergency Management Performance Grants - FY 2013 Supplemental	97.042	EMW-2013-EP-00060-S01	11,486
Emergency Management Performance Grants - FY 2014 EMPG	97.042	EMW-2013-EP-00064-S01	<u>40,062</u>
Total Emergency Performance & Special Project Equipment Grants			51,548
<i>Homeland Security Grant Program Cluster:</i>			
FY 11 State Homeland Security Program - CCP	97.067	EMW-2011-SS-00070	11,301
FY 11 State Homeland Security Program - SHSP	97.067	EMW-2011-SS-00070	1,996
FY 12 State Homeland Security Program - SHSP	97.067	EMW-2012-SS-00001	35,390
FY 13 State Homeland Security Program - SHSP	97.067	EMW-2013-SS-00120	<u>44,561</u>
Total Homeland Security Grant Program			<u>93,248</u>
<b>Total U.S. Department of Homeland Security</b>			<b><u>144,796</u></b>
<b><u>U.S. ELECTION ASSISTANCE COMMISSION PASSED THROUGH THE OHIO SECRETARY OF STATE</u></b>			
Help America Vote Act Requirement Payments	90.401		<u>1,218</u>
<b>Total Federal Financial Assistance</b>			<b><u>\$3,493,475</u></b>

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

## HENRY COUNTY

### NOTES TO THE FEDERAL AWARDS EXPENDITURE SCHEDULE FOR THE YEAR ENDED DECEMBER 31, 2014

#### NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

#### NOTE B - SUBRECEIPIENTS

The County passes certain federal awards received from the Ohio Department of Job and Family Services (ODJFS) to other governments or not-for-profit agencies (sub recipients). As Note A describes, the County reports expenditures of federal awards to sub recipients when paid in cash. Workforce Investment Act (WIA) disbursements for the Youth Program (CFDA #17.259) in the amount of \$63,394 were paid to sub recipients who provided services to the County.

As a sub recipient, the County has certain compliance responsibilities, such as monitoring its sub recipients to help assure they use these sub awards as authorized by laws, regulations and the provisions of contracts or grant agreements, and that sub recipients achieve the award's performance goals.

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

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2014 is as follows:

Beginning loans receivable balance as of January 1, 2014	\$ 1,685,697
Loans issued in 2014	276,500
Loans principal repaid	(235,752)
Loans written off	<u>(236,120)</u>
Ending loans receivable balance as of December 31, 2014	<u>\$ 1,490,325</u>
Cash balance on hand in the revolving loan fund as of December 31, 2014	\$ 335,905
Program expenditures:	
Revolving Loans Issued in 2014	\$ 276,500
Revolving Loans Administrative Costs for 2014	47,112
Revolving Loans Housing Costs	4,152
Other Grants Administered Through the CDBG 14.228 Program	<u>555,383</u>
Total CDBG 14.228 Program	<u>\$ 883,147</u>

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2014, \$261,514 is more than 60 days past due.

**Henry County**  
**Notes to the Schedule of Federal Awards Expenditures**  
**Page 2**

**NOTE D – HOME ASSISTANCE PROGRAMS**

The County utilizes Home Investment Partnership Program (HOME), Community Housing Improvement Program (CHIP) funds for homebuyer down payment assistance and home rehabilitation to low-to-moderate income households and eligible persons. All funds granted to low-to-moderate income applicants are in the form of a loan with declining “pay back” amounts. Per policy, 85% of the loan amount is deferred over a 10 year period and 15% of the original loan amount is recaptured at the time of property sale, transfer of ownership, or owner vacates the property that has been rehabilitated. The initial loan of this money is recorded as a disbursement on the accompanying Federal Awards Expenditure Schedule (the Schedule). Loans repaid are treated as program income and are utilized to make additional loans subject to certain compliance requirements imposed by HUD, but are also included as disbursements on the Schedule

These loans are collateralized by liens placed on the mortgages. At December 31, 2014, the amount of loans outstanding under this program is \$267,040.

**NOTE E - MATCHING REQUIREMENTS**

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

**NOTE F – OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES ADJUSTMENTS**

During the calendar year, the County Board of Developmental Disabilities paid a settlement for the 2009 Cost Report from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA # 93.778) in the amount of \$54,125. The Cost Report settlement liability was for the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This liability is not listed on the County's Schedule of Expenditures of Federal Award since the underlying expense occurred in prior reporting periods and the liability owed was invoiced by the Ohio Department of Developmental Disabilities.

**NOTE G – TRANSFERS BETWEEN FEDERAL PROGRAMS**

During fiscal year 2014, the County made allowable transfers of \$156,746 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$484,150 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2014 and the amount transferred to the Social Services Block program.

Temporary Assistance for Needy Families (TANF)	\$ 640,896
Transfer to Social Services Block Grant (SSBG)	<u>(156,746)</u>
Total	<u>\$ 484,150</u>

**NOTE H – SUPPLEMENTAL EMERGENCY MANAGEMENT PERFORMANCE GRANT**

In 2014, the County received supplemental FY 2013 Emergency Management Performance Grant monies (CFDA # 97.042) in the amount of \$11,486. This reimbursement was to cover 2013 disbursements of \$11,486. For reporting purposes, we have included this disbursement amount on the County's federal schedule in 2014.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Henry County  
660 North Perry Street  
P.O. Box 546  
Napoleon, Ohio 43545

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 22, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 22, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Henry County  
660 North Perry Street  
P.O. Box 546  
Napoleon, Ohio 43545

To the Board of Commissioners:

### ***Report on Compliance for Each Major Federal Program***

We have audited Henry County, Ohio's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Henry County's major federal programs for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

### ***Management's Responsibility***

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Henry County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affects each of its major federal programs for the year ended December 31, 2014.

***Report on Internal Control Over Compliance***

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 22, 2015

**HENRY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Child Support Enforcement – CFDA #93.563 Social Service Block Grant - #93.667 Medical Assistance Program – CFDA # 93.778
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDING FOR FEDERAL AWARDS**

None

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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 30, 2015