

HENRY COUNTY, OHIO

***GENERAL PURPOSE
FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED
DECEMBER 31, 2002***

IDA BOSTLEMAN, AUDITOR



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of Henry County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 5, 2003

This Page is Intentionally Left Blank.

HENRY COUNTY

TABLE OF CONTENTS

Independent Auditor’s Report	1
Combined Balance Sheet - All Fund Types, Account Groups, and Discretely Presented Component Units	2 - 5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types, Expendable Trust Fund and Discretely Presented Component Units	6 - 7
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types	8 - 9
Combined Statement of Revenues, Expenses, and Changes in Accumulated Deficit - Proprietary Fund Type	10
Combined Statement of Cash Flows - Proprietary Fund Type	11 - 12
Notes to the General Purpose Financial Statements	13 - 54
Supplemental Data	
Schedule of Expenditures of Federal Awards	55
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	56 - 57
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	58 - 59
Schedule of Findings <i>OMB Circular A-133 §.315 (b)</i>	60 - 62
Schedule of Prior Audit Findings <i>OMB Circular A-133 § .315 (b)</i>	63

This Page is Intentionally Left Blank.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of Henry County, Ohio, (the “County”), as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Henry County, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2003 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
June 20, 2003

HENRY COUNTY, OHIO

COMBINED BALANCE SHEET

ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,957,559	\$ 5,458,761	\$ 1,240,915	\$ 352,725
Investments	-	-	290,000	-
Cash in segregated accounts	-	201	-	-
Receivables (net of allowance for uncollectibles):				
Taxes	2,680,811	1,000,140	601,710	-
Accounts	613	27,056	-	-
Special assessments	-	-	156,487	462,984
Accrued interest	39,229	1,520	4,203	-
Due from other funds	3,965	-	-	-
Due from other governments	653,407	2,059,313	16,328	-
Prepayments	4,692	5,185	-	138
Materials and supplies inventory	31,105	87,468	-	-
Loans receivable	-	1,136,414	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	-	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
Other Debits:				
Amount available in debt service fund for retirement of general long-term obligations	-	-	-	-
Amount available in debt service fund for retirement of special assessment debt	-	-	-	-
Amount to be provided from special assessments	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
Amount to be provided from component unit resources	-	-	-	-
Total assets and other debits	<u>\$ 5,371,381</u>	<u>\$ 9,776,058</u>	<u>\$ 2,309,643</u>	<u>\$ 815,847</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations			
Enterprise	Trust and Agency					
\$ 327,560	\$ 3,945,657	\$ -	\$ -	\$ 13,283,177	\$ 1,337,632	\$ 14,620,809
-	-	-	-	290,000	-	290,000
350	232,449	-	-	233,000	21,905	254,905
-	-	-	-	4,282,661	1,889,153	6,171,814
385	-	-	-	28,054	134,702	162,756
-	-	-	-	619,471	-	619,471
1,467	-	-	-	46,419	-	46,419
10	-	-	-	3,975	-	3,975
-	-	-	-	2,729,048	358,417	3,087,465
-	-	-	-	10,015	22,622	32,637
46	-	-	-	118,619	8,796	127,415
-	-	-	-	1,136,414	-	1,136,414
1,001,946	-	-	-	1,001,946	-	1,001,946
704,758	-	24,498,979	-	25,203,737	3,506,558	28,710,295
-	-	-	1,426,650	1,426,650	-	1,426,650
-	-	-	101,616	101,616	-	101,616
-	-	-	226,960	226,960	-	226,960
-	-	-	3,820,496	3,820,496	-	3,820,496
-	-	-	-	-	386,331	386,331
<u>\$ 2,036,522</u>	<u>\$ 4,178,106</u>	<u>\$ 24,498,979</u>	<u>\$ 5,575,722</u>	<u>\$ 54,562,258</u>	<u>\$ 7,666,116</u>	<u>\$ 62,228,374</u>

-- continued

HENRY COUNTY, OHIO

COMBINED BALANCE SHEET (CONTINUED)
 ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
 DECEMBER 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, equity and other credits</u>				
Liabilities:				
Accounts payable	\$ 126,916	\$ 251,742	\$ -	\$ 1,352
Retainage payable	24,260	-	-	-
Accrued wages and benefits	136,929	175,670	-	-
Compensated absences payable	5,753	7,230	-	-
Pension obligation payable	68,311	134,258	-	-
Deferred revenue	2,693,311	2,573,628	775,499	462,984
Due to other governments	27,198	4,503	-	14
Due to other funds	10	3,965	-	-
Amount to be repaid to claimants	-	-	-	-
Deposits held and due to others	-	-	-	-
Estimated liability for landfill closure costs	-	-	-	-
Revenue bonds payable	-	-	-	-
Accrued interest payable	-	2,239	-	1,008
Notes payable	-	100,000	-	45,000
General obligation bonds payable	-	-	-	-
OWDA loan payable	-	-	5,878	-
Special assessment debt with government commitment	-	-	-	-
Total liabilities	3,082,688	3,253,235	781,377	510,358
Equity and other credits:				
Investment in general fixed assets	-	-	-	-
Retained earnings (accumulated deficit):				
Unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	36,258	35,405	-	15,067
Reserved for materials and supplies inventory	31,105	87,468	-	-
Reserved for loans	-	1,136,414	-	-
Reserved for prepayments	4,692	5,185	-	138
Reserved for debt service	-	-	1,528,266	-
Unreserved - undesignated	2,216,638	5,258,351	-	290,284
Total equity and other credits	2,288,693	6,522,823	1,528,266	305,489
Total liabilities, equity and other credits	\$ 5,371,381	\$ 9,776,058	\$ 2,309,643	\$ 815,847

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations			
Enterprise	Trust and Agency					
\$ 31,582	\$ -	\$ -	\$ -	\$ 411,592	\$ 222,577	\$ 634,169
-	-	-	-	24,260	-	24,260
6,303	-	-	-	318,902	135,555	454,457
9,880	-	-	956,629	979,492	386,372	1,365,864
5,437	-	-	-	208,006	83,601	291,607
-	-	-	-	6,505,422	2,098,296	8,603,718
7,558	3,924,682	-	-	3,963,955	304	3,964,259
-	-	-	-	3,975	-	3,975
-	20,905	-	-	20,905	-	20,905
-	232,449	-	-	232,449	21,905	254,354
1,661,258	-	-	-	1,661,258	-	1,661,258
-	-	-	2,327,000	2,327,000	-	2,327,000
19,707	-	-	-	22,954	-	22,954
880,000	-	-	-	1,025,000	-	1,025,000
-	-	-	1,400,000	1,400,000	-	1,400,000
-	-	-	563,517	569,395	-	569,395
-	-	-	328,576	328,576	-	328,576
<u>2,621,725</u>	<u>4,178,036</u>	<u>-</u>	<u>5,575,722</u>	<u>20,003,141</u>	<u>2,948,610</u>	<u>22,951,751</u>
-	-	24,498,979	-	24,498,979	3,506,558	28,005,537
(585,203)	-	-	-	(585,203)	-	(585,203)
-	-	-	-	86,730	22,955	109,685
-	-	-	-	118,573	8,796	127,369
-	-	-	-	1,136,414	-	1,136,414
-	-	-	-	10,015	22,622	32,637
-	-	-	-	1,528,266	-	1,528,266
-	70	-	-	7,765,343	1,156,575	8,921,918
<u>(585,203)</u>	<u>70</u>	<u>24,498,979</u>	<u>-</u>	<u>34,559,117</u>	<u>4,717,506</u>	<u>39,276,623</u>
<u>\$ 2,036,522</u>	<u>\$ 4,178,106</u>	<u>\$ 24,498,979</u>	<u>\$ 5,575,722</u>	<u>\$ 54,562,258</u>	<u>\$ 7,666,116</u>	<u>\$ 62,228,374</u>

HENRY COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUND AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Property and other taxes	\$ 1,787,433	\$ 801,186	\$ 703,769	\$ -
Sales taxes	2,256,856	342,919	-	-
Charges for services	927,506	1,203,195	24,930	-
Licenses and permits	3,019	89,837	-	-
Fines and forfeitures	91,227	128,839	-	-
Intergovernmental	1,025,106	6,924,105	-	38,777
Special assessments	-	12,465	41,656	240,477
Investment income	346,589	52,193	21,655	11,150
Rental income	-	3,000	-	-
Other	14,694	959,873	295,323	39,305
Total revenues	6,452,430	10,517,612	1,087,333	329,709
Expenditures:				
Current:				
General government:				
Legislative and executive	1,365,841	380,548	-	-
Judicial	871,890	139,907	-	-
Public safety	1,889,271	217,111	-	-
Public works	362,577	3,551,385	-	-
Health	18,502	1,607,598	-	-
Human services	415,018	4,121,255	-	-
Economic development and assistance	2,927	892,333	-	-
Transportation	-	44	-	-
Other	1,111,111	99	18,743	1,105
Capital outlay	24,260	-	-	762,585
Debt service:				
Principal retirement	-	-	628,628	-
Interest and fiscal charges	-	-	245,441	4,094
Total expenditures	6,061,397	10,910,280	892,812	767,784
Excess (deficiency) of revenues over (under) expenditures	391,033	(392,668)	194,521	(438,075)
Other financing sources (uses):				
Proceeds of loans	-	-	-	411,154
Operating transfers in	-	165,372	20,399	-
Operating transfers out	(299,133)	-	-	(16,638)
Total other financing sources (uses)	(299,133)	165,372	20,399	394,516
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	91,900	(227,296)	214,920	(43,559)
Fund balances, January 1 (restated)	2,194,132	6,761,409	1,313,346	349,048
Decrease in reserve for inventory	2,661	(11,290)	-	-
Fund balances, December 31	\$ 2,288,693	\$ 6,522,823	\$ 1,528,266	\$ 305,489

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

<u>Fiduciary Fund Type</u>	<u>Total Primary Government (Memorandum Only)</u>	<u>Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
<u>Expendable Trust</u>			
\$ -	\$ 3,292,388	\$ 2,271,895	\$ 5,564,283
-	2,599,775	-	2,599,775
-	2,155,631	816,612	2,972,243
-	92,856	-	92,856
-	220,066	-	220,066
-	7,987,988	2,559,568	10,547,556
-	294,598	-	294,598
-	431,587	-	431,587
-	3,000	-	3,000
928	1,310,123	612,948	1,923,071
<u>928</u>	<u>18,388,012</u>	<u>6,261,023</u>	<u>24,649,035</u>
-	1,746,389	-	1,746,389
-	1,011,797	-	1,011,797
-	2,106,382	-	2,106,382
-	3,913,962	-	3,913,962
-	1,626,100	175,669	1,801,769
-	4,536,273	5,626,932	10,163,205
-	895,260	-	895,260
-	44	-	44
11,071	1,142,129	15,212	1,157,341
-	786,845	-	786,845
-	628,628	-	628,628
-	249,535	-	249,535
<u>11,071</u>	<u>18,643,344</u>	<u>5,817,813</u>	<u>24,461,157</u>
<u>(10,143)</u>	<u>(255,332)</u>	<u>443,210</u>	<u>187,878</u>
-	411,154	-	411,154
-	185,771	-	185,771
-	(315,771)	-	(315,771)
-	281,154	-	281,154
(10,143)	25,822	443,210	469,032
10,213	10,628,148	768,167	11,396,315
-	(8,629)	(429)	(9,058)
<u>\$ 70</u>	<u>\$ 10,645,341</u>	<u>\$ 1,210,948</u>	<u>\$ 11,856,289</u>

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Property and other taxes	\$ 1,594,268	\$ 1,786,615	\$ 192,347	\$ 605,160	\$ 801,186	\$ 196,026
Sales taxes	2,024,666	2,268,564	243,898	342,919	342,919	-
Charges for services	823,735	923,275	99,540	1,002,581	1,211,742	209,161
Licenses and permits	2,989	3,019	30	85,722	89,837	4,115
Fines and forfeitures	77,113	86,525	9,412	132,886	128,064	(4,822)
Intergovernmental	835,093	935,911	100,818	7,646,252	6,889,006	(757,246)
Special assessments	-	-	-	21,058	12,465	(8,593)
Investment income	318,017	356,190	38,173	22,000	9,146	(12,854)
Rental income	-	-	-	3,323	3,000	(323)
Other	1,793	1,644	(149)	1,766,310	1,220,989	(545,321)
Total revenues	5,677,674	6,361,743	684,069	11,628,211	10,708,354	(919,857)
Expenditures:						
Current:						
General government:						
Legislative and executive	1,539,218	1,310,520	228,698	676,801	398,711	278,090
Judicial	1,002,765	853,276	149,489	159,099	140,468	18,631
Public safety	2,234,448	1,901,775	332,673	299,224	221,951	77,273
Public works	284,412	242,213	42,199	4,041,081	3,619,559	421,522
Health	19,269	16,505	2,764	1,812,101	1,593,627	218,474
Human services	486,353	414,108	72,245	4,827,139	4,084,317	742,822
Economic development and assistance	-	-	-	1,310,497	1,249,850	60,647
Transportation	-	-	-	14,887	44	14,843
Other	1,345,756	1,145,591	200,165	200	-	200
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	114,600	100,000	14,600
Interest and fiscal charges	-	-	-	-	50	(50)
Total expenditures	6,912,221	5,883,988	1,028,233	13,255,629	11,408,577	1,847,052
Excess (deficiency) of revenues over (under) expenditures	(1,234,547)	477,755	1,712,302	(1,627,418)	(700,223)	927,195
Other financing sources (uses):						
Proceeds of notes	-	-	-	110,612	100,000	(10,612)
Proceeds of loans	-	-	-	-	-	-
Operating transfers in	-	-	-	124,377	165,372	40,995
Operating transfers out	(347,120)	(295,372)	51,748	-	-	-
Advances in	292,035	327,322	35,287	247,172	327,322	80,150
Advances out	(384,667)	(327,322)	57,345	-	(327,322)	(327,322)
Other financing sources	8,048	9,021	973	-	-	-
Other financing uses	(63,642)	(54,154)	9,488	-	-	-
Total other financing sources (uses)	(495,346)	(340,505)	154,841	482,161	265,372	(216,789)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(1,729,893)	137,250	1,867,143	(1,145,257)	(434,851)	710,406
Fund balance, January 1	1,643,622	1,643,622	-	5,528,180	5,528,180	-
Prior year encumbrances appropriated	88,902	88,902	-	231,499	231,499	-
Fund balance, December 31	\$ 2,631	\$ 1,869,774	\$ 1,867,143	\$ 4,614,422	\$ 5,324,828	\$ 710,406

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

Debt Service			Capital Projects			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 700,525	\$ 703,769	\$ 3,244	\$ -	\$ -	\$ -	\$ 2,899,953	\$ 3,291,570	\$ 391,617
-	-	-	-	-	-	2,367,585	2,611,483	243,898
10,009	24,930	14,921	-	-	-	1,836,325	2,159,947	323,622
-	-	-	-	-	-	88,711	92,856	4,145
-	-	-	-	-	-	209,999	214,589	4,590
-	-	-	40,000	38,777	(1,223)	8,521,345	7,863,694	(657,651)
38,180	49,486	11,306	232,375	240,477	8,102	291,613	302,428	10,815
16,667	13,920	(2,747)	-	11,905	11,905	356,684	391,161	34,477
-	-	-	-	-	-	3,323	3,000	(323)
289,299	296,951	7,652	20,839	51,666	30,827	2,078,241	1,571,250	(506,991)
1,054,680	1,089,056	34,376	293,214	342,825	49,611	18,653,779	18,501,978	(151,801)
-	-	-	-	-	-	2,216,019	1,709,231	506,788
-	-	-	-	-	-	1,161,864	993,744	168,120
-	-	-	-	-	-	2,533,672	2,123,726	409,946
-	-	-	-	-	-	4,325,493	3,861,772	463,721
-	-	-	-	-	-	1,831,370	1,610,132	221,238
-	-	-	-	-	-	5,313,492	4,498,425	815,067
-	-	-	-	-	-	1,310,497	1,249,850	60,647
-	-	-	-	-	-	14,887	44	14,843
24,697	16,519	8,178	2,689	1,006	1,683	1,373,342	1,163,116	210,226
-	-	-	773,813	649,620	124,193	773,813	649,620	124,193
712,244	628,628	83,616	89,578	77,559	12,019	916,422	806,187	110,235
163,974	243,837	(79,863)	13,114	12,165	949	177,088	256,052	(78,964)
900,915	888,984	11,931	879,194	740,350	138,844	21,947,959	18,921,899	3,026,060
153,765	200,072	46,307	(585,980)	(397,525)	188,455	(3,294,180)	(419,921)	2,874,259
-	-	-	-	-	-	110,612	100,000	(10,612)
-	-	-	56,119	443,038	386,919	56,119	443,038	386,919
-	-	-	-	-	-	124,377	165,372	40,995
-	-	-	-	-	-	(347,120)	(295,372)	51,748
-	-	-	-	327,322	327,322	539,207	981,966	442,759
-	-	-	-	(327,322)	(327,322)	(384,667)	(981,966)	(597,299)
-	-	-	-	-	-	8,048	9,021	973
(1,640)	(1,628)	12	(129,326)	(131,719)	(2,393)	(194,608)	(187,501)	7,107
(1,640)	(1,628)	12	(73,207)	311,319	384,526	(88,032)	234,558	322,590
152,125	198,444	46,319	(659,187)	(86,206)	572,981	(3,382,212)	(185,363)	3,196,849
1,332,471	1,332,471	-	422,498	422,498	-	8,926,771	8,926,771	-
-	-	-	-	-	-	320,401	320,401	-
\$ 1,484,596	\$ 1,530,915	\$ 46,319	\$ (236,689)	\$ 336,292	\$ 572,981	\$ 5,864,960	\$ 9,061,809	\$ 3,196,849

HENRY COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN ACCUMULATED DEFICIT
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Charges for services	\$ 810,020
Other operating revenues	104,737
Total operating revenues	914,757
Operating expenses:	
Personal services	178,316
Contractual services	551,654
Materials and supplies	10,189
Depreciation	58,633
Landfill closure and post closure costs.	42,664
Other operating expenses.	39,790
Total operating expenses	881,246
Operating income	33,511
Nonoperating revenues (expenses):	
Interest expense and fiscal charges	(18,505)
Investment earnings.	22,227
Other nonoperating expenses	(92,885)
Total nonoperating (expenses)	(89,163)
Net loss before operating transfers	(55,652)
Operating transfers in.	130,000
Net income	74,348
Accumulated deficit, January 1	(659,551)
Accumulated deficit, December 31	\$ (585,203)

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

HENRY COUNTY, OHIO

COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from sales/service charges	\$ 811,190
Cash received from other operations	104,727
Cash payments for personal services	(177,470)
Cash payments for contract services	(572,836)
Cash payments for materials and supplies	(2,533)
Cash payments for other expenses	(39,790)
	123,288
Cash flows from noncapital financing activities:	
Cash used for nonoperating activities	(92,885)
Transfers in from other funds	191,679
Transfers out to other funds	(61,679)
	37,115
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,750)
Proceeds from issuance of debt	880,000
Principal retirement	(965,000)
Interest and fiscal charges	(41,861)
	(130,611)
Cash flows from investing activities:	
Interest received	22,736
	22,736
Net increase in cash and cash equivalents	52,528
Cash and cash equivalents at January 1	1,277,328
Cash and cash equivalents at December 31	\$ 1,329,856

HENRY COUNTY, OHIO

COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 2002

		<u>Proprietary Fund Type</u>
		<u>Enterprise</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	33,511
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		58,633
Landfill closure and post closure costs		42,664
Changes in assets and liabilities:		
Decrease in materials and supplies inventory.		98
Decrease in accounts receivable		1,170
Increase in due from other funds		(10)
Decrease in due from other governments		90,000
Decrease in accounts payable		(21,182)
Increase in pension obligation payable		48
Increase in accrued wages and benefits		103
Increase in compensated absences payable		695
Increase in due to other governments		7,558
Decrease in deferred revenue.		(90,000)
Net cash provided by operating activities	<u>\$</u>	<u>123,288</u>

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

Responsibility was evaluated on the basis of financial dependence and the manifestations of oversight exercised by the Commissioners. Among the factors considered were budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, reliance of the organization on continuing subsidies from the County, selection of governing authority, and designation of management.

Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying GPFS as follows:

DISCRETELY PRESENTED COMPONENT UNITS

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main sources of revenue are fees charged by MVPO to administer CDBG grants and a per capita amount from each county. In 2002, the County paid administrative fees of \$2,045 and per capita charges of \$132,862 to MVPO.

Defiance-Fulton-Henry Counties Council - The County is a member of the Defiance-Fulton-Henry Counties Council (the "Council") which is a jointly governed organization between Defiance, Fulton and Henry Counties. The Council was formed under Ohio Revised Code Section 167.04 as a regional council of governments. The purpose of the Council is to foster cooperation among the three member counties in all areas of services. Total expenditures made by the County to the Council in 2002 were \$1,262,473. Henry County acts as the fiscal agent for the Council.

JOINT VENTURES - WITHOUT EQUITY INTEREST

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

The Corrections Commission is governed by a Commission Team made up of 18 members. These members consist of one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. Sources of revenue include operating costs and capital costs contributed by Members and rental revenue. The County does not have an explicit, measurable right to the net resources of the Commission. Total expenditures made by the County to the Corrections Commission in 2002 were \$756,023. Complete financial statements for the Corrections Commission can be obtained from the Corrections Commission's administrative office on County Road 24 in Stryker, Ohio.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

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

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

The main sources of revenue for the Board are state and federal grants, and a property tax levy covering the entire four county area. Outside agencies are contracted by the Board to provide services for the Board. The Board operates autonomously from the County and the County has no financial responsibility for the operations of the Board. The County does have indirect access to the net resources of the Board. In the event the County withdrew from the Board, it would be entitled to a share of state and federal grants that is currently being received by the Board. This access to the net resources of the Board has not been explicitly defined, nor is it currently measurable. Complete financial statements for the Board can be obtained from the Board at its offices located at State Routes 34 and 66, Archbold, Ohio.

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

Quadco is governed by an eight-member board composed of two appointees made by each of the four County Boards of Mental Retardation and Developmental Disabilities (County Boards of MR/DD). This board, in conjunction with the County Boards of MRDD assess the need of the adult mentally retarded and developmentally disabled residents in each County and set priorities based on available funds. The County provides subsidies to the Board based on units of service provided to it. For the year ended December 31, 2002, the County remitted \$858,684 to Quadco to supplement its operations.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

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

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

NWOJDD is governed and operated by a thirteen member board of trustees consisting of three trustees from each county and one at large member. Revenue sources are from member counties and rental revenue. The County has no ongoing financial responsibility for NWOJDD. Total expenditures made by the County to NWOJDD in 2002 were \$183,828. Defiance County acts as the fiscal agent for NWOJDD.

RELATED ORGANIZATIONS

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

B. Basis of Presentation - Fund Accounting

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following are the County's fiduciary fund types:

Trust and Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust funds and agency funds. Agency funds are custodial in nature, and do not present results of operations or have a measurement focus (i.e., assets equal liabilities).

ACCOUNT GROUPS

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

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

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

C. Basis of Accounting and Measurement Focus

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and accumulated deficit components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

REVENUES - EXCHANGE AND NON-EXCHANGE TRANSACTIONS

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

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (See Note 8), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fines and forfeitures, and fees for services.

DEFERRED REVENUE

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

EXPENSES/EXPENDITURES

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

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

D. Budgetary Process

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

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

2. Shortly after the beginning of the fiscal year, the County Commissioners pass an Appropriation Resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.
3. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The revised budget figures reflected in the combined financial statements include the prior year appropriations carried over for liquidations against prior year encumbrances, and any amendments to the original Appropriation Resolution.
5. The Commissioners appropriate at the fund level. For funds which are directly appropriated by the Commissioners, transfers of appropriations at the fund level requires a resolution signed by at least two Commissioners.
6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2002.
7. Unencumbered appropriations lapse at year-end. Contracts and purchase-type encumbrances outstanding at year-end carry their appropriations with them into the next year. Contracts and purchase-type encumbrances outstanding at year-end are recorded as expenditures on the budget basis of accounting.
8. The budgetary procedures described herein apply to all funds except the trust and agency funds.

E. Encumbrances

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

F. Cash and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) and "Investments" on the combined balance sheet.

During fiscal year 2002, investments were limited to repurchase agreements, nonnegotiable certificates of deposit, and internal Henry County notes.

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

The County allocates interest to funds of the internal investment pool in a manner consistent with Ohio statute, federal regulation, or Commissioners' resolution. The following fund was credited with more interest revenue than would have been received based upon its share of the County's cash fund balance during 2002:

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Cash Fund Balance</u>	<u>Interest Assigned from Other Funds</u>
General Fund	\$ 346,589	\$ 52,452	\$ 294,137

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

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

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

G. Restricted Assets

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

H. Health Care

The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 required the County to offer and provide terminated or retired employees continued participation in the County's employee health care benefits program, provided that the employees pay the rate established by the plan administrator. In 2002, the County incurred expenditures of \$3,329 in providing these services, and recognized revenues of \$3,052 for premiums received from these former employees.

I. Inventories of Materials and Supplies

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

J. Property, Plant, Equipment, and Depreciation

1. General Fixed Assets Account Group

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

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

2. Enterprise Funds

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

<u>Description</u>	<u>Estimated Life (in years)</u>
Vehicles	5 - 15
Machinery/equipment	5 - 15

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

K. Compensated Absences

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

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

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

Accumulated vacation and sick leave of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave benefits for employees meeting the above requirements who are paid from proprietary funds are recorded as an expense when earned.

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

L. Long-Term Obligations

Long-term obligations for general obligation bonds, special assessment bonds, revenue bonds, Ohio Water Development Authority (OWDA) loans, vested sick and vacation leave, and any claims or judgment that are expected to be paid from the governmental funds are shown in the general long-term obligations account group, while those expected to be paid from proprietary funds are shown as a liability of those funds.

M. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another (quasi-external transactions) are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Amounts outstanding at year-end are reported on the balance sheet as due to/from other funds.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reported as interfund loans receivable or payable on the combined balance sheet.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.
5. Non-recurring and non-routine permanent transfers of equity are reported as residual equity transfers.

An analysis of interfund transactions is presented in Note 5.

N. Fund Balance Reserves

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

The County reports amounts representing encumbrances, material and supplies inventories, loans receivable, prepayments, and available debt service equity as reservations of fund balance in the governmental funds.

O. Prepayments

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

P. Estimates

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

Q. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

In prior years, the County advanced monies from the general fund to the Misamore Ditch Fund and Gretline Waterline Extension Fund to subsidize their activities. These advances were repaid in 1999, and should no longer be presented on the County's financial statements. The effect of this adjustment on fund balances as previously reported is as follows:

	<u>General</u>	<u>Capital Projects</u>
Fund balance as previously reported	\$ 2,362,132	\$ 181,048
Restatement for advances	<u>(168,000)</u>	<u>168,000</u>
Fund balance as of January 1, 2002	<u>\$ 2,194,132</u>	<u>\$ 349,048</u>

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Retained Earnings/Fund Balances

Retained earnings/fund balances at December 31, 2002 included the following individual fund deficits:

	<u>Deficit Fund Balance/ Retained Earnings</u>
<u>Special Revenue Fund:</u>	
Certificate of Title Building	\$ 96,180
<u>Capital Projects Funds:</u>	
Grelton Waterline Extension	75,456
Misamore Petition Ditch	125,083
<u>Enterprise Funds:</u>	
Hahn Center	229,319
Landfill Closure and Post Closure	481,624

These funds complied with Ohio state law which does not permit a cash basis deficit at year-end. These deficits are caused by the application of generally accepted accounting principles to these funds. These GAAP deficits will be funded by anticipated future revenues or other subsidies not recognized or recorded at December 31. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Legal Compliance

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

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Country View Haven	\$ 144,843
Litter Control - 1997	3,613
Recorder Equipment	2,250
Civil Defense	9,081
<u>Capital Projects Funds</u>	
County View Capital	8,803
Henry County Waterline	10,074
<u>Enterprise Fund</u>	
Landfill Improvement Note	596,571
<u>Expendable Trust Fund</u>	
Unclaimed Funds	10,071

The following funds had appropriations in excess of estimated revenues plus available balances contrary to Section 5705.39, Ohio Revised Code for the year ended December 31, 2002:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Children Trust	\$ 5,000
Daughter/Son Sexual Abuse Grant	37,403
Block Grant	327,637
Civil Defense	75,345
<u>Debt Service Fund</u>	
Texas Water Improvement	4,757
<u>Capital Projects Funds</u>	
Ditch Q40	16,727
Henry County Waterline	403,968

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Enterprise Fund</u>	
EPA	\$ 631,210

D. Agency Funds

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

<u>Assets</u>	
Real and Other Taxes Receivable	\$ 22,005,789
Special Assessments Receivable	515,526
Due from Other Governments	<u>730,175</u>
Total	<u>\$ 23,251,490</u>

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Primary Government

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

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

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

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

Interim monies may be deposited or invested in the following:

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

Cash on Hand: At year-end, the County had \$5,880 in undeposited cash on hand which is included on the Combined Balance Sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents," but is not part of the County's carrying amount of deposits, reported below.

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

Deposits: At year-end, the carrying amount of the County's deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$13,802,243. At that date, the bank balance, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$14,037,326. Of the bank balance:

1. \$528,727 was covered by federal depository insurance; and
2. \$13,508,599 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

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

	Category 3	Fair Value
Repurchase agreements	\$ 1,000,000	\$ 1,000,000

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

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
Per GASB Statement No. 9	\$ 14,518,123	\$ 290,000
Reclassifications:		
Repurchase agreements	(1,000,000)	1,000,000
Certificates of deposit	290,000	(290,000)
Cash on hand	(5,880)	-
Per GASB Statement No. 3	\$ 13,802,243	\$ 1,000,000

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

B. Component Units

At December 31, 2002, the carrying amount of the component units demand deposits was \$1,359,413. The bank balance at that date was \$1,397,659. Of the bank balance, \$21,793 was insured by FDIC and \$1,375,866 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by a third party trustee, pursuant to Ohio Revised Code Section 135.181, in collateralized pools securing public funds on deposit with specific depository institutions. In addition, at year-end, the component unit had \$124 in undeposited cash on hand which is included as part of "Cash in Segregated Accounts". The component units had no investments at December 31, 2002.

NOTE 5 - INTERFUND TRANSACTIONS

A. A reconciliation of the County's operating transfers for 2002 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 299,133
<u>Special Revenue Funds</u>		
Children's Services	100,000	-
Marine Patrol	3,000	-
Solid Waste Management	5,000	-
Litter Control	16,615	-
Civil Defense	<u>40,757</u>	<u>-</u>
Total special revenue funds	<u>165,372</u>	<u>-</u>
<u>Debt Service Funds</u>		
Grelton Waterline Extension	16,638	-
Texas Water Improvement	1,284	-
Meyer Ditch	225	-
McClure Waterline Extension	<u>2,252</u>	<u>-</u>
Total debt service funds	<u>20,399</u>	<u>-</u>

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Capital Projects Fund</u>		
Grelton Waterline Extension	\$ -	\$ 16,638
Total capital projects funds	-	16,638
<u>Enterprise Funds</u>		
Landfill Post-Closure	30,000	-
Hahn Center	100,000	-
Total enterprise funds	130,000	-
Total transfers in/out	\$ 315,771	\$ 315,771

All 2002 transfers complied with the requirements of the Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- C. Interfund balances, related to charges for goods and services rendered, at December 31, 2002, consist of the following due to and due from other funds:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 10	\$ 3,965
<u>Special Revenue Funds</u>		
Dog and Kennel	110	-
Child Support Enforcement Agency	3,372	-
Country View Haven	91	-
Public Assistance	223	-
Real Estate Assessment	8	-
Solid Waste	161	-
Total special revenue funds	3,965	-
<u>Enterprise Fund</u>		
Hahn Center	-	10
Total	\$ 3,975	\$ 3,975

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 6 - RECEIVABLES

Receivables at December 31, 2002, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest, interfund transactions related to charges for goods and services rendered and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the combined balance sheet and all interfund transactions related to charges for goods and services rendered have been classified as "Due From Other Funds" on the combined balance sheet. Receivables have been recorded as described in Note 2.C. 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.

A summary of the principal items of receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>General Fund</u>	
Sales taxes	\$ 1,072,722
Real and other taxes	1,608,089
Accounts	613
Accrued interest	39,229
Due from other funds	3,965
Due from other governments	653,407
<u>Special Revenue Funds</u>	
Real and other taxes	1,000,140
Accounts	27,056
Accrued interest	1,520
Due from other governments	2,059,313

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 6 - RECEIVABLES - (Continued)

<u>Fund/Description</u>	<u>Amount</u>
<u>Debt Service Funds</u>	
Real and other taxes	\$ 601,710
Special assessments	156,487
Accrued interest	4,203
Due from other governments	16,328
<u>Capital Projects Funds</u>	
Special assessments	462,984
<u>Enterprise Funds</u>	
Accounts	385
Accrued interest	1,467
Due from other funds	10

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. True value is normally 50% of cost. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 2002 taxes were collected is \$521,087,156. The full tax rate for all County operations (including component units) applied to real property for tax year ended December 31, 2002, was \$14.80 per \$1,000 of assessed valuation. The full tax rate for debt service was \$1.40 per \$1,000 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 15, 2002. If paid semi-annually, the first payment is due February 15, 2002 and the remainder payable by July 20, 2002. Under certain circumstances, state statute permits earlier or later payment dates to be established.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 7 - PROPERTY TAXES (Continued)

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

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

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

Since the current levy is not intended to finance 2002 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2003 are shown as 2002 revenue; the remainder is shown as "Deferred Revenue".

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

NOTE 8 - PERMISSIVE SALES AND USE TAX

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 8 - PERMISSIVE SALES AND USE TAX – (Continued)

Proceeds of the tax are credited to the general fund and Motor Vehicle and Gas Tax special revenue fund. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2002 and amounts that are measurable and available at year-end are accrued as revenue. Amounts received outside the available period are recorded as deferred revenue. Sales and use tax for 2002 amounted to \$2,599,775.

NOTE 9 - LOANS RECEIVABLE

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

	Balance at <u>01/01/02</u>	<u>Issued</u>	<u>Received</u>	Balance at <u>12/31/02</u>
Revolving Loans	<u>\$ 1,096,549</u>	<u>\$ 412,604</u>	<u>\$ (372,739)</u>	<u>\$ 1,136,414</u>

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

NOTE 10 - FIXED ASSETS

A. A summary of the proprietary fund property, plant, and equipment at December 31, 2002 is as follows:

Land	\$ 352,180
Vehicles	581,836
Machinery/equipment	<u>261,084</u>
Total gross assets	1,195,100
Less: accumulated depreciation	<u>(490,342)</u>
Total net assets	<u>\$ 704,758</u>

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 10 - FIXED ASSETS - (Continued)

B. A summary of changes in general fixed assets during 2002 follows:

	Balance at <u>01/01/02</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12/31/02</u>
Land	\$ 478,709	\$ -	\$ -	\$ 478,709
Buildings	19,373,476	9,800	(30,000)	19,353,276
Furniture, fixtures machinery and equipment	1,838,106	78,949	(98,091)	1,818,964
Vehicles	2,484,818	170,936	(26,963)	2,628,791
Construction in progress	<u>-</u>	<u>219,239</u>	<u>-</u>	<u>219,239</u>
Total general fixed asset account group	<u>\$ 24,175,109</u>	<u>\$ 478,924</u>	<u>\$ (155,054)</u>	<u>\$ 24,498,979</u>

C. A summary of changes in Component Unit fixed assets during 2002 follows:

	Balance at <u>1/1/2002</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12/31/02</u>
Component Units	<u>\$ 3,528,050</u>	<u>\$ 13,423</u>	<u>\$ (34,915)</u>	<u>\$ 3,506,558</u>

NOTE 11 - VACATION AND SICK LEAVE LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the general long-term obligations account group. Vacation and sick leave earned by proprietary funds type employees is expensed when earned.

Upon termination of County service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 90 days and all accumulated vacation. At December 31, 2002 vested sick leave benefits, including the additional liability for employees expected to become eligible to retire in accordance with GASB No. 16, for all governmental fund type employees and all component unit employees totaled \$852,774. The total liability for all current and non-current compensated absences (including vacation) for all governmental fund types, component units, and proprietary fund types is \$1,365,864 at December 31, 2002.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 12 - LONG-TERM OBLIGATIONS

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

A. The following is a summary of the changes in the County's long-term obligations during 2002:

	Original Amount Issued	Balance at 01/01/02	Additions	Reductions	Balance at 12/31/02
<u>General Government:</u>					
1996 - 5.25% general obligation bond	\$ 4,000,000	\$ 1,820,000	\$ -	\$(420,000)	\$ 1,400,000
<u>OWDA Loans:</u>					
1990 - 2% Texas Waterline Project	291,706	163,432	-	(11,069)	152,363
2002 - 3% Silgan Can Waterline	398,038	-	398,038	-	398,038
2002 - 5.64% Water and Sewer District	13,116	-	13,116	-	13,116
Total OWDA loans	702,860	163,432	411,154	(11,069)	563,517
Compensated absences	N/A	863,844	92,785	-	956,629
Total general government	4,702,860	2,847,276	503,939	(431,069)	2,920,146
<u>Special Assessment Bonds with Governmental Commitment:</u>					
1995 - 6.15% to 9.9%	345,000	170,000	-	(25,000)	145,000
1998 - 4.75%	211,925	191,135	-	(7,559)	183,576
Total special assessment bonds	556,925	361,135	-	(32,559)	328,576
	Original Amount Issued	Balance at 01/01/02	Additions	Reductions	Balance at 12/31/02
<u>Revenue Bonds:</u>					
1989 - 5% Hospital Addition	\$ 375,000	\$ 285,000	\$ -	\$ (10,000)	\$ 275,000
1992 - 5% Hospital Improvement	4,025,000	2,207,000	-	(155,000)	2,052,000
Total revenue bonds	4,400,000	2,492,000	-	(165,000)	2,327,000
Total general long-term obligation account group	\$ 9,659,785	\$ 5,700,411	\$503,939	\$(628,628)	\$ 5,575,722

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 12 - LONG-TERM DEBT - (Continued)

The revenue bonds are supported by the full faith and credit of the County; the OWDA loans and special assessment bonds are supported by special assessments and users fees, with a County commitment, and the courthouse improvement bond is supported by a tax levied on all taxable property in the County. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. The benefits will be paid from the fund from which the person is paid.

Ohio Water Development Authority Loans - 2002 Series

During 2002, the County entered into a loan agreement with the Ohio Water Development Authority (OWDA) as an incentive for the location of a new waterline for the Silgan Can Company. Repayment of this loan will be funded through tax increment financing (TIF) payments made by Silgan Can Company. Beginning July 1, 2007, semi-annual TIF payments will be made to the County and subsequently remitted to the OWDA. The loan is amortized over a period of ten years.

During 2002, the County also entered into a loan agreement with the Ohio Water Development Authority (OWDA) for the formation of a water and sewer district. Repayment of this loan will be funded by user charges collected by the County. The amount of the loan disbursed during 2002 was \$13,116, which is recorded in the GLTOAG. The project was not completed during 2002, therefore no payments are due and a completed amortization schedule is not available.

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

	<u>OWDA Loans</u>		<u>Special Assessment Bonds</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 13,013	\$ 3,036	\$ 27,918	\$ 17,762	\$ 445,000	\$ 74,000
2004	12,111	2,798	28,295	16,146	465,000	50,860
2005	12,353	2,556	29,554	13,646	490,000	26,215
2006	12,600	2,309	34,554	12,396	-	-
2007	50,042	8,028	29,554	10,834	-	-
2008 - 2012	428,498	33,924	95,258	32,996	-	-
2013 - 2017	21,784	578	59,707	15,358	-	-
2018 - 2019	-	-	23,736	1,029	-	-
Total	\$ 550,401	\$ 53,229	\$ 328,576	\$ 120,167	\$ 1,400,000	\$ 151,075

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 12 - LONG-TERM DEBT - (Continued)

	Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2003	\$ 174,000	\$ 116,350	\$ 659,931	\$ 211,148
2004	182,000	107,650	687,406	177,454
2005	192,000	98,550	723,907	140,967
2006	201,000	88,950	248,154	103,655
2007	211,000	78,900	290,596	97,762
2008 - 2012	1,226,000	225,200	1,749,756	292,120
2013 - 2017	96,000	26,150	177,491	42,086
2018 - 2019	<u>45,000</u>	<u>3,400</u>	<u>68,736</u>	<u>4,429</u>
Total	<u>\$ 2,327,000</u>	<u>\$ 745,150</u>	<u>\$ 4,605,977</u>	<u>\$ 1,069,621</u>

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effect of this debt limitation at December 31, 2002, was an unvoted debt margin of \$5,339,138, and a total debt margin (voted and unvoted) of \$11,655,445, both of which include available funds of \$1,528,266.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 13 - NOTES PAYABLE

The County had the following bond anticipation notes and internal notes outstanding at December 31, 2002:

	Issue Date	Balance at 01/01/02	Additions	Reductions	Balance at 12/31/02
<u>General Obligation Bond</u>					
<u>Anticipation Notes:</u>					
<u>Special Revenue Fund</u>					
<u>Certificate of Title Building</u>					
Improvement - 2.90%	03/28/02	\$ -	\$ 100,000	\$ -	\$ 100,000
<u>Enterprise Funds</u>					
County Facilities Improvement - 2.90%	03/28/02	\$ -	\$ 300,000	\$ -	\$ 300,000
County Facilities Improvement - 5.95%	12/01/01	350,000	-	(350,000)	-
Landfill Improvement - 2.90%	03/28/02	-	580,000	-	580,000
Landfill Improvement - 5.95%	04/02/01	615,000	-	(615,000)	-
Total enterprise fund general obligation bond anticipation notes		\$ 965,000	\$ 880,000	\$ (965,000)	\$ 880,000
<u>Capital Projects Funds</u>					
Misamore Ditch - 5.35%	03/31/00	\$ 25,000	\$ -	\$ (25,000)	\$ -
Misamore Ditch - 2.90%	03/28/02	-	15,000	-	15,000
Grelton Waterline Extension - 5.35%	03/31/00	45,000	-	(45,000)	-
Grelton Waterline Extension - 2.90%	03/28/02	-	30,000	-	30,000
Total capital projects funds general obligation bond anticipation notes		\$ 70,000	\$ 45,000	\$ (70,000)	\$ 45,000
<u>Internal Notes:</u>					
<u>Special Revenue Funds</u>					
Real Estate Acquisition Note - 5.0%	08/24/01	\$ 100,000	\$ -	\$ (100,000)	\$ -

General Obligation Bond Anticipation Notes – 2002 Series - On March 28, 2002, the County issued \$1,025,000 of general obligation bonds anticipation notes (comprised of \$725,000 various purpose improvement notes and \$300,000 of county facilities improvement notes), bearing an annual interest rate of 2.90%. The bonds have a maturity date of March 27, 2003.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 13 - NOTES PAYABLE - (Continued)

The real estate acquisition notes are internal Henry County notes representing amounts borrowed from the general fund. These notes were issued to purchase land and make improvements thereon at a location to house governmental functions and offices. These notes are structured in essentially the same manner as notes with outside institutions. This notes was retired in 2002.

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains four separate enterprise funds to account for the operations of a landfill, the Monroe Township landfill, the Hahn Center, and the County's radio tower. Segment information as of and for the year ended December 31, 2002 follows:

	<u>Landfill</u>	<u>Monroe Township</u>	<u>Hahn Center</u>	<u>Tower Fund</u>	<u>Total</u>
Operating revenues	\$ 818,764	\$ 5,356	\$ 71,292	\$ 19,345	\$ 914,757
Operating expenses before depreciation	816,244	340	5,379	650	822,613
Depreciation expense	58,633	-	-	-	58,633
Operating income/(loss)	(56,113)	5,016	65,913	18,695	33,511
Interest expense	12,224	-	-	6,281	18,505
Interest revenue	22,227	-	-	-	22,227
Net income/(loss) before operating transfers	(78,748)	(357)	4,758	18,695	(55,652)
Transfers in	30,000	-	100,000	-	130,000
Net income/(loss)	(48,748)	(357)	104,758	18,695	74,348
Fixed assets:					
Additions	3,750	-	-	-	3,750
Deletions	8,800	-	-	-	8,800
Net working capital	43,497	68	70,681	135,105	249,351
Total assets	1,822,942	408	78,067	135,105	2,036,522
Notes payable	580,000	-	300,000	-	880,000
Total equity (accumulated deficit)	(491,057)	68	(229,319)	135,105	(585,203)
Encumbrances at December 31, 2002	36,228	-	4,392	5,901	46,521

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All County full-time employees, other than teachers, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2002 was 8.5% for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The employer contribution rate for employees other than law enforcement and public safety division was 13.55% of covered payroll and 8.55% was the portion used to fund pension obligations for 2002. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 11.70% was the portion used to fund pension obligations for 2002. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The County's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$810,688, \$726,325, and \$717,923, respectively; 74.34% has been contributed for 2002 and 100% for 2001 and 2000. \$208,006, representing the unpaid contribution for 2002, is recorded as a liability within the respective funds.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2002 Comprehensive Annual Financial Report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions for pension obligations to STRS Ohio for the years ended December 31, 2002, 2001, and 2000 were \$79,521, \$85,682, and \$73,021, respectively; 92.28% been contributed for 2002 and 100% for the years 2001 and 2000. \$6,141, representing the unpaid contributions for 2002, is recorded as a liability within the respective funds.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 16 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2002 employer contribution rate for local government employers was 13.55% of covered payroll and 5.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2002 employer rate was 16.70% of covered payroll and 5.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The County's contribution actually made to fund postemployment benefits was \$249,059.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

As of December 31, 2001 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively, at December 31, 2001 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2001 (the latest information available) was 402,041.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2002, Comprehensive Annual Financial Report.

B. State Teachers Retirement System of Ohio

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

All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund equal to 4.5% of covered payroll for the fiscal year ended June 30, 2002. Effective July 1, 2002, 1% of covered payroll was allocated to the Health Care Stabilization Fund. For the County, this amount equaled \$25,560 during calendar year 2002. As of June 30, 2002, the balance in the Health Care Stabilization Fund was \$3.011 billion and eligible benefit recipients totaled 105,300 for STRS Ohio as a whole. For the fiscal year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354.697 million.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 137,250	\$ (434,851)	\$ 198,444	\$ (86,206)
Net adjustment for revenue accruals	90,687	(190,742)	(1,723)	-
Net adjustment for expenditure accruals	(265,194)	364,364	(3,828)	87,625
Net adjustment for other financing sources/(uses)	41,372	(100,000)	22,027	(61,411)
Encumbrances (budget basis)	<u>87,785</u>	<u>133,933</u>	<u>-</u>	<u>16,433</u>
GAAP basis	<u>\$ 91,900</u>	<u>\$ (227,296)</u>	<u>\$ 214,920</u>	<u>\$ (43,559)</u>

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 18 - CONTINGENCIES

Grants

The County receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2002.

NOTE 19 - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$1,661,258 as of December 31, 2002, which is based on 65.70% usage (filled) of the landfill. It is estimated that an additional \$867,282 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2012). The estimated total current cost of \$2,528,540 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, 2002. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 19 - CLOSURE AND POSTCLOSURE CARE COSTS - (Continued)

The County is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 2002, cash and cash equivalents of \$1,001,946 are held for these purposes. These investments are held and managed by the County and are presented on the County's balance sheet as "Restricted Assets: Equity in Pooled Cash and Cash Equivalents". It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

NOTE 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 2002 was \$131,573.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 21 - CONDUIT DEBT OBLIGATIONS

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

At December 31, 2002, health care facility revenue bonds outstanding aggregated \$3,370,000.

NOTE 22 - OPERATING LEASE

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

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

<u>Year Ending</u> <u>December 31</u>	
2003	\$ 290,350
2004	289,650
2005	290,550
2006	289,950
2007	289,900
Later years	<u>1,621,750</u>
Total minimum future lease payments	<u>\$ 3,072,150</u>

NOTE 23 - LITIGATION

The County was not involved in litigation as either plaintiff or defendant at year-end.

SUPPLEMENTAL DATA

HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Nutrition Cluster:				
(B) (D) Food Distribution	10.550	N/A	\$ -	\$ 7,847
(A) (D) School Breakfast Program	10.553	065946-03-PU-2002	4,653	
(A) (D) National School Lunch	10.555	065946-03-PU-2002	16,747	
Total U.S. Department of Agriculture			<u>21,400</u>	<u>7,847</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF EMERGENCY MANAGEMENT DISASTER ASSISTANCE:				
Community Development Block Grant	14.228	B-E-02-032-1	425,000	-
Community Development Block Grant	14.228	B-F-01-032-1	72,000	
Community Development Block Grant	14.228	B-F-00-032-1	61,750	
Community Development Block Grant	14.228	B-F-99-032-1	4,152	
Community Development Block Grant	14.228	B-C-00-032-1	136,434	
Total Community Development Block Grant			<u>699,336</u>	<u>-</u>
Community Housing Improvement Program	14.239	B-C-00-032-2	191,261	-
Total Community Housing Improvement Program			<u>191,261</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>890,597</u>	<u>-</u>
U.S. DEPARTMENT OF JUSTICE PASSED THROUGH THE OFFICE OF CRIMINAL JUSTICE SERVICES:				
Supervised Visitation	16.579	2000-DG-D02-7003	45,943	-
Total U.S. Department of Justice			<u>45,943</u>	<u>-</u>
U.S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES- WORKFORCE DEVELOPMENT ACT OF 1998 (WIA) CLUSTER:				
WIA	17.255	N/A	26,015	-
WIA- One Stop	17.257	N/A	18,367	
WIA Adult	12.258	N/A	254,814	
WIA Youth	17.259	N/A	131,578	
WIA Dislocated Workers	17.260	N/A	75,971	
Total U.S. Department of Labor			<u>506,745</u>	<u>-</u>
U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT DISASTER ASSISTANCE PASSED THROUGH THE OHIO DEPARTMENT OF EMERGENCY MANAGEMENT DISASTER ASSISTANCE:				
Emergency Management - State and Local Assistance	83.554	EMC-02-PA-1333	12,367	-
Emergency Management - State and Local Assistance	83.554	EMC-03-PA-1333	6,889	-
Total Emergency Management - State and Local Assistance			<u>19,256</u>	<u>-</u>
Total U.S. Department of Federal Emergency Management Disaster Assistance			<u>19,256</u>	<u>-</u>
OHIO DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Special Education Cluster:				
(E) Special Education-Grants to States (Title VI-B)	84.027	066365-6B-SF-02P	36,360	
(E) Special Education-Grants to States (Title VI-B)	84.027	066365-6B-SF-03P	32,967	
Total Special Education-Grants to States (Title VI-B)			<u>69,327</u>	
(E) Special Education Preschool Grant	84.173	066365-PG-S1-02P	28,857	
(E) Special Education Preschool Grant	84.173	066365-PG-S1-03P	15,634	
Total Special Education Preschool Grant			<u>44,491</u>	
Total Special Education Cluster			<u>113,818</u>	<u>-</u>
Total U.S. Department of Education			<u>113,818</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE AREA OFFICE OF AGING:				
Special Programs for the Aging-Title III Part B- Grant for Supportive Services and Senior Center	93.044	N/A	63,076	-
PASSED THROUGH QUADCO REHABILITATION CENTER:				
Social Services Block Grant (Title XX)	93.667	N/A	61,241	-
PASSED THROUGH THE OHIO DEVELOPMENT OF MENTAL RETARDATION AND DEVELOPMENT DISABILITIES:				
Medical Assistance Program (Medicaid: Title XIX)	93.778	N/A	286,312	-
Total U.S. Department of Health and Human Services			<u>410,629</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 2,008,388</u>	<u>\$ 7,847</u>

- (A) The Food Distribution Program is a noncash, federal grant
- (B) Commingled with state and local revenue from sales of lunches; assumed expenditure were made on a first-in, first-out basis.
- (C) This schedule was prepared on the cash basis of accounting
- (D) Included as part of "Nutrition Grant Cluster" in determining major program;
- (E) Included as part of the "Special Education Grant Cluster" in determining major program;
- (F) Included as part of the Workforce Investment Act Cluster

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

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

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

We have audited the general purpose financial statements of Henry County as of and for the year ended December 31, 2002, and have issued our report thereon dated June 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Henry County’s general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2002-HC-001 and 2002-HC-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of Henry County in a separate letter dated June 20, 2003.

Board of Commissioners
Henry County

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Henry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting, that do not require inclusion in this report, that we have reported to the management of the Henry County in a separate letter dated June 20, 2003.

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

Trimble, Julian & Grube, Inc.
June 20, 2003

TRIMBLE, JULIAN & GRUBE, INC.

ASERVING OHIO LOCAL GOVERNMENTS@

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

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

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

Compliance

We have audited the compliance of Henry County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each major federal program for the year ended December 31, 2002. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Henry County's management. Our responsibility is to express an opinion on Henry County's compliance based on our audit.

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

Board of Commissioners
Henry County

In our opinion, Henry County complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to its major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of Henry County in a separate letter dated June 20, 2003.

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

Trimble, Julian & Grube, Inc.
June 20, 2003

**HENRY COUNTY
DECEMBER 31, 2002**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were these any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Community Development Block Grant - CFDA # 14.228; Home Investment Partnerships Program - CFDA #14.239; Medicaid Title XIX - CFDA #93.778;
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

**HENRY COUNTY
DECEMBER 31, 2002**

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

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

Finding Number	2002-HC-001
----------------	-------------

Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.

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

<u>Special Revenue Funds</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Children Trust	\$5,300	\$10,300	\$5,000
Daughter/Son Sexual Abuse Grant	45,943	83,346	37,403
Block Grant	515,043	842,680	327,637
Civil Defense	79,782	155,127	73,345
<u>Debt Service Fund</u>			
Texas Water Improvement	8,894	13,651	4,757
<u>Capital Projects Funds</u>			
Ditch Q40	6,887	23,614	16,727
Henry County Waterline	217	404,185	403,968
<u>Enterprise Fund</u>			
EPA	45,469	676,679	631,210

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

**HENRY COUNTY
DECEMBER 31, 2002**

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

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

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

Finding Number	2002-HC-002
----------------	-------------

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

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

<u>Special Revenue Funds</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Country View Haven	\$1,695,151	\$1,839,994	\$144,843
Litter Control - 1997	61,615	65,228	3,613
Recorder Equipment	38,000	40,250	2,250
Civil Defense	155,327	164,408	9,081
<u>Capital Projects Funds</u>			
Country View Capital	131,492	140,295	8,803
Henry County Waterline	404,185	414,259	10,074
<u>Enterprise Fund</u>			
Landfill Improvement Note	45,108	641,679	596,571
<u>Expendable Trust Fund</u>			
Unclaimed Funds	1,000	11,071	10,071

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

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

**HENRY COUNTY
DECEMBER 31, 2002**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer
2001-HC-001	Ohio Revised Code Section 5705.39 prohibiting a subdivision from having appropriations in excess of estimated resources.	No	The County is attempting to file amended certificates quarterly upon review of appropriations and resources.
2001-HC-002	Ohio Revised Code 5705.41 (B) prohibiting a subdivision from making an expenditure unless it has been appropriated.	No	The County is attempting to monitor its appropriations versus expenditures more frequently and utilize its budgetary computer package.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FINANCIAL CONDITION

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 26, 2003**