

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

Financial Statements
(Audited)

For The Year Ended
December 31, 2007

RUTH MILLER, FISCAL OFFICER



Mary Taylor, CPA
Auditor of State

Village Council
Village of St. Henry
371 North Linn St.
St. Henry, Ohio 45883-0410

We have reviewed the *Independent Auditor's Report* of the Village of St. Henry, Mercer County, prepared by Julian & Grube, Inc., for the audit period January 1, 2007 through December 31, 2007. 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. The Village of St. Henry is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 13, 2008

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**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Members of Council and Mayor
Village of St. Henry
371 North Linn Street
St. Henry, OH 45883

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of St. Henry, Mercer County, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the Village of St. Henry's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of St. Henry's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

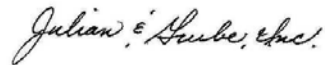
As discussed in Note 2, the Village of St. Henry prepares its financial statements and notes on the cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of St. Henry, Mercer County, Ohio, as of December 31, 2007, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund and Special Revenue funds: Income Tax and Park Improvement, thereof and for the year then ended in conformity with the basis of accounting as described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2008, on our consideration of the Village of St. Henry's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Village of St. Henry
Page Two

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Julian & Grube, Inc.
March 19, 2008

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED

The management's discussion and analysis of the Village of St. Henry's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2007, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- The total net cash assets of the Village decreased \$61,792. Net cash assets of governmental activities decreased \$22,369, which represents a 2.85% decrease over fiscal year 2006. Net cash assets of business-type activities decreased \$39,423 or 10.9% from fiscal year 2006.
- General cash receipts accounted for \$993,353 or 52.83% of total governmental activities cash receipts. Program specific cash receipts accounted for \$887,028 or 47.17% of total governmental activities cash receipts.
- The Village had \$1,902,750 in cash disbursements related to governmental activities; \$887,028 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and grants and entitlements) of \$993,353 were inadequate to provide for these programs.
- The Village's major funds are the general fund, the income tax fund, the park improvement fund and the Cooper Avenue construction fund. The general fund had cash receipts and other financing sources of \$568,928 in 2007. The cash disbursements and other financing uses of the general fund totaled \$770,284 in 2007. The general fund's cash balance decreased \$201,356 from 2006 to 2007.
- The income tax fund, a Village major fund, had cash receipts and other financing sources of \$1,014,224 in 2007. The income tax fund had cash disbursements and other financing uses of \$1,073,024 in 2007. The income tax fund cash balance decreased \$58,800 from 2006 to 2007.
- The park improvement fund, a Village major fund, had cash receipts and other financing sources of \$250,000 in 2007. The park improvement fund had cash disbursements and other financing uses of \$0 in 2007. The park improvement fund cash balance increased \$250,000 from 2006 to 2007.
- The cooper avenue construction fund, a Village major fund, had cash receipts of \$1,089,758 in 2007. The cooper avenue construction fund had cash disbursements and other financing uses of \$1,089,758 in 2007. The cooper avenue construction fund cash balance remained the same from 2006 to 2007.
- Net cash assets for the Water enterprise fund increased in 2007 by \$19,943 or 11.41%. The net cash assets for the Sewer enterprise fund decreased in 2007 by \$59,366 or 31.76%.

Using this Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Village's cash basis of accounting.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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The Statement of Net Assets - Cash Basis and Statement of Activities - Cash Basis provide information about the activities of the whole Village, presenting an aggregate view of the Village's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Village's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Village, there are four major governmental funds. The general fund is the largest major fund.

Reporting the Village as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis answer the question, "How did we do financially during 2007?" These statements include *only net assets* using the *cash basis of accounting*, which is an other comprehensive basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis, the Village is divided into two distinct kinds of activities. Governmental Activities - Most of the Village's programs and services are reported here including human services, health, public safety, public works and general government. Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The Village's water operating and sewer operating, enterprise funds are reported as business activities.

The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis can be found on pages 13 - 15 of this report.

Reporting the Village's Most Significant Funds

Fund Financial Statements

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

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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Fund financial reports provide detailed information about the Village's major funds. The Village uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Village's most significant funds. The Village's major governmental funds are the general fund, income tax fund, park improvement fund and Cooper Avenue construction fund. The analysis of the Village's major governmental funds begins on page 10.

Governmental Funds

Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various Village programs. Since the Village is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross cash receipts and cash disbursements on the Fund Financial Statements to the Statement of Activities - Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities - Cash Basis. The governmental fund statements can be found on pages 16 - 17 of this report.

The Village's budgetary process accounts for certain transactions on a cash basis. The budgetary statements for the general fund, income tax fund and park improvement fund are presented to demonstrate the Village's compliance with annually adopted budgets. The budgetary statements can be found on pages 18 - 20 of this report.

Proprietary Funds

The Village maintains one type of proprietary fund. Enterprise funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the Village as a whole. The Village uses enterprise funds to account for its water and sewer operations. The enterprise fund statements can be found on pages 21 - 22 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The Village's only fiduciary fund is an agency fund. Only the cash held at year end for the agency fund is reported. The Village's Agency fund had no cash at year end.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 37 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets - Cash Basis provides the perspective of the Village as a whole.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED

The table below provides a summary of the Village's net cash assets for 2007 and 2006.

	Net Cash Assets					
	Governmental Activities <u>2007</u>	Business-type Activities <u>2007</u>	Governmental Activities <u>2006</u>	Business-type Activities <u>2006</u>	2007 <u>Total</u>	2006 <u>Total</u>
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 763,588	\$ 322,236	\$ 785,957	\$ 361,659	\$ 1,085,824	\$ 1,147,616
Total assets	<u>763,588</u>	<u>322,236</u>	<u>785,957</u>	<u>361,659</u>	<u>1,085,824</u>	<u>1,147,616</u>
<u>Net Assets</u>						
Restricted for:						
Capital Projects	14,888	-	14,888	-	14,888	14,888
Other Purposes	344,248	-	106,461	-	344,248	106,461
Unrestricted	<u>404,452</u>	<u>322,236</u>	<u>664,608</u>	<u>361,659</u>	<u>726,688</u>	<u>1,026,267</u>
Total net assets	<u>\$ 763,588</u>	<u>\$ 322,236</u>	<u>\$ 785,957</u>	<u>\$ 361,659</u>	<u>\$ 1,085,824</u>	<u>\$ 1,147,616</u>

The total net cash assets of the Village decreased \$61,792. Net cash assets of governmental activities decreased \$22,369, which represents a 2.85% decrease over fiscal year 2006. Net cash assets of business-type activities decreased \$39,423 or 10.9% from fiscal year 2007.

The balance of governmental activities unrestricted net cash assets of \$404,452 may be used to meet the government's ongoing obligations to citizens and creditors.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED

The table below shows the change in net assets for fiscal years 2007 and 2006.

Change in Net Cash Assets

	Governmental		(Restated)		Total	
	Activities	Business-Type	Governmental	Business-Type		
	2007	2007	2006	2006	2007	2006
Cash Receipts:						
Program cash receipts:						
Charges for services and sales	\$ 35,641	\$ 899,990	\$ 44,326	\$ 784,691	\$ 935,631	\$ 829,017
Operating grants and contributions	119,733	-	235,150	-	119,733	235,150
Capital grants and contributions	731,654	-	-	425,330	731,654	425,330
Total program cash receipts	887,028	899,990	279,476	1,210,021	1,787,018	1,489,497
General cash receipts:						
Property and other taxes	95,261	-	86,050	-	95,261	86,050
Income tax	714,220	-	834,483	-	714,220	834,483
Unrestricted grants	115,819	-	116,780	-	115,819	116,780
Sale of notes	-	301,500	360,000	400,568	301,500	760,568
Investment earnings	47,520	-	58,695	-	47,520	58,695
Other	20,533	-	16,551	-	20,533	16,551
Total general cash receipts	993,353	301,500	1,472,559	400,568	1,294,853	1,873,127
Total cash receipts	1,880,381	1,201,490	1,752,035	1,610,589	3,081,871	3,362,624
Cash Disbursements:						
Security of persons and property	210,609	-	163,731	-	210,609	163,731
Public health services	9,673	-	7,487	-	9,673	7,487
Leisure time activities	109,575	-	217,917	-	109,575	217,917
Transportation	169,120	-	189,538	-	169,120	189,538
General government	201,350	-	217,591	-	201,350	217,591
Debt service	153,375	-	111,000	-	153,375	111,000
Capital outlay	1,049,048	-	612,464	-	1,049,048	612,464
Water	-	348,952	-	454,100	348,952	454,100
Sewer	-	891,961	-	1,578,915	891,961	1,578,915
Total cash disbursements	1,902,750	1,240,913	1,519,728	2,033,015	3,143,663	3,552,743
Transfers	-	-	(120,000)	120,000	-	-
Change in net cash assets	(22,369)	(39,423)	112,307	(302,426)	(61,792)	(190,119)
Net cash assets at beginning of year (restated)	785,957	361,659	673,650	664,085	1,147,616	1,337,735
Net cash assets at end of year	\$ 763,588	\$ 322,236	\$ 785,957	\$ 361,659	\$ 1,085,824	\$ 1,147,616

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED

Governmental Activities

Governmental cash assets decreased by \$22,369 in 2007 from 2006.

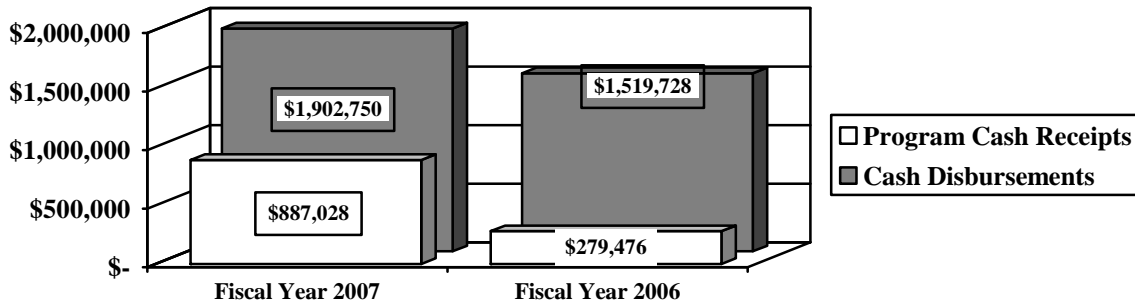
General government represents activities related to the governing body as well as activities that directly support Village programs. In 2007, general government cash disbursements totaled \$201,350, or 10.58% of total governmental cash disbursements. General government service programs are primarily supported by general revenues.

The Village program, capital outlay, accounted for \$1,049,048 or 55.13% of total governmental cash disbursements. Capital outlay service programs are primarily supported by general revenues.

The Village program, leisure time activities, accounted for \$109,575 or 5.76% of total governmental cash disbursements. Leisure time activities service programs are primarily supported by charges for services and operating grants and contributions.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2007 and 2006. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

Governmental Activities - Program Cash Receipts vs. Total Cash Disbursements



**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

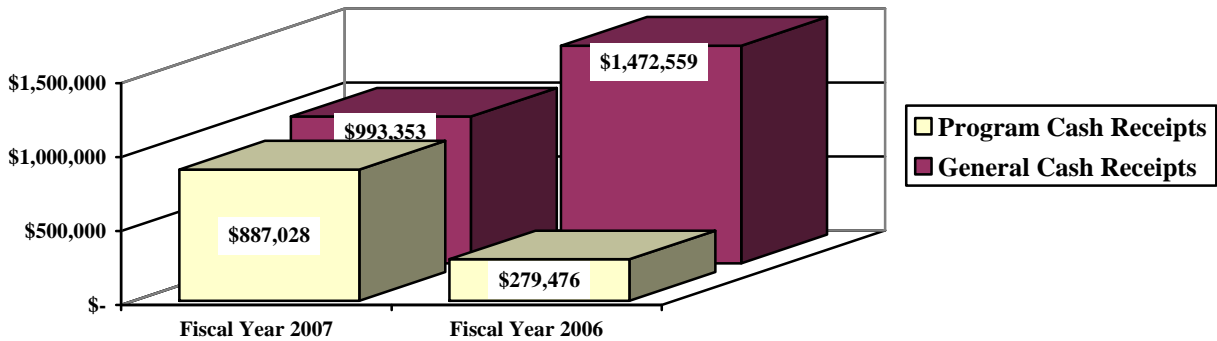
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED

The following table shows, for governmental activities, the total cost of services and the net cost of services for 2007 and 2006.

Governmental Activities				
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
Cash disbursements:				
Current:				
Security of persons and property	\$ 210,609	\$ 209,209	\$ 163,731	\$ 156,686
Public health services	9,673	9,673	7,487	7,487
Leisure time activities	109,575	62,039	217,917	67,767
Transportation	169,120	50,787	189,538	67,257
General government	201,350	201,350	217,591	217,591
Capital outlay	1,049,048	329,289	612,464	612,464
Debt service:				
Principal retirement	<u>153,375</u>	<u>153,375</u>	<u>111,000</u>	<u>111,000</u>
Total	<u>\$ 1,902,750</u>	<u>\$ 1,015,722</u>	<u>\$ 1,519,728</u>	<u>\$ 1,240,252</u>

The dependence upon general cash receipts for governmental activities is apparent; with 52.83% of cash disbursements supported through taxes and other general cash receipts during 2007. The following graph below presents the Village's governmental activities receipts for 2007 and 2006:

Governmental Activities - General and Program Cash Receipts



Business-Type Activities

The Water and Sewer funds are the Village's two major enterprise funds. These programs had cash receipts of \$1,201,490 and cash disbursements of \$1,240,913 for fiscal year 2007. The net cash assets of the programs decreased \$39,423 from 2006.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED

Financial Analysis of the Government's Funds

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

Governmental Funds

The Village's governmental funds are accounted for using the cash basis of accounting.

The Village's governmental funds reported a combined fund cash balance of \$763,588, which is \$22,369 below last year's total of \$785,957. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2007 and December 31, 2006, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2007</u>	<u>Fund Cash Balance</u> <u>December 31, 2006</u>	<u>Decrease</u>
Major Funds:			
General	\$ 131,813	\$ 333,169	\$ (201,356)
Income Tax	272,639	331,439	(58,800)
Park Improvement	250,000	-	250,000
Cooper Avenue Construction	-	-	-
Other Nonmajor Governmental Funds	<u>109,136</u>	<u>121,349</u>	<u>(12,213)</u>
Total	<u>\$ 763,588</u>	<u>\$ 785,957</u>	<u>\$ (22,369)</u>

General Fund

The general fund had cash receipts and other financing sources of \$568,928 in 2007. The cash disbursements and other financing uses of the general fund, totaled \$770,284 in 2007. The general fund's cash balance decreased \$201,356 from 2006 to 2007.

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 86,732	\$ 86,050	0.79 %
Intergovernmental	115,817	116,779	(0.82) %
Charges for services	-	7,045	(100.00) %
Fines, licenses and permits	19,950	14,913	33.78 %
Investment income	44,446	55,485	(19.90) %
Other	<u>1,983</u>	<u>1,638</u>	21.06 %
Total	<u>\$ 268,928</u>	<u>\$ 281,910</u>	(4.61) %

Investment income cash receipts decreased due to the maturity of certain certificates of deposit in prior year. In 2006, the Village received revenue for street lighting which did not occur in 2007. Fines, licenses and permits increased due to an increase in cable franchise fees. All other revenue remained comparable to 2006.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
Security of persons and property	\$ 210,609	\$ 163,731	28.63 %
Public health service	9,673	7,487	29.20 %
Transportation	39,011	42,774	(8.80) %
General government	11,324	23,161	(51.11) %
Capital outlay	126,950	445,517	(71.51) %
Debt service	<u>122,717</u>	<u>-</u>	100.00 %
Total	<u>\$ 520,284</u>	<u>\$ 682,670</u>	(23.79) %

Capital outlay expenditures decreased due to a reclass of on behalf payments from capital outlay to debt service. Overall, cash disbursements decreased \$162,386 from 2006.

Income Tax Fund

The income tax fund, a Village major fund, had cash receipts and other financing sources of \$1,014,224 in 2007. The income tax fund had cash disbursements and other financing uses of \$1,073,024 in 2007. The income tax fund cash balance decreased \$58,800 from 2006 to 2007.

Park Improvement Fund

The park improvement fund, a Village major fund, had cash receipts and other financing sources of \$250,000 in 2007. The park improvement fund had cash disbursements and other financing uses of \$0 in 2007. The park improvement fund cash balance increased \$250,000 from 2006 to 2007.

Cooper Avenue Construction fund

The cooper avenue construction fund, a Village major fund, had cash receipts of \$1,089,758 in 2007. The cooper avenue construction fund had cash disbursements and other financing uses of \$1,089,758 in 2007. The cooper avenue construction fund cash balance remained the same from 2006 to 2007.

Budgeting Highlights - General Fund

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, actual cash receipts and other financing sources of \$568,928 were greater than final and original budget estimates by \$8,859. The original and final budgetary basis disbursements were \$878,690.

Capital Assets and Debt Administration

Capital Assets

The Village does not record capital assets in the accompanying cash basis financial statements, but records payments for capital assets as disbursements. The Village had capital outlay disbursements of \$1,356,205 during fiscal year 2007.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED

Debt Administration

The Village had the following long-term obligations outstanding at December 31, 2007 and 2006:

	Governmental Type Activities 2007	Restated Governmental Type Activities 2006	Business Type Activities 2007	Business Type Activities 2006
2004 Land Acquisition Loan	\$ 91,170	\$ 120,504	\$ -	\$ -
1994 OPWC Loan	-	-	32,444	37,851
1995 OPWC Loan	-	-	58,125	65,875
2006 Promissory Note	180,000	270,000	-	-
2006 Bank Note	-	-	470,484	244,094
2006 OPWC Loan	-	-	205,626	156,474
Total long-term obligations	<u>\$ 271,170</u>	<u>\$ 390,504</u>	<u>\$ 766,679</u>	<u>\$ 504,294</u>

Economic Factors and Next Year's Budgets and Rates

The financial picture for the Village of St. Henry looks to remain steady. We have completed two major projects with our utility funds that have depleted fund balances. The focus will be to maintain the systems we have in place and to start saving for future needs.

The income tax collections should also remain strong with the possibility of new businesses looking to possibly locate here.

General fund revenues from the State should be the same as last year, but we see a \$5,000 decrease from the County.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Ruth Miller, Fiscal Officer, Village of St. Henry P.O. Box 410, St. Henry, Ohio 45883.

**CASH BASIS
FINANCIAL STATEMENTS**

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**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 763,588	\$ 322,236	\$ 1,085,824
Total assets.	<u>763,588</u>	<u>322,236</u>	<u>1,085,824</u>
Net assets:			
Restricted for:			
Other purposes	344,248	-	344,248
Capital projects	14,888	-	14,888
Unrestricted	<u>404,452</u>	<u>322,236</u>	<u>726,688</u>
Total net assets	<u>\$ 763,588</u>	<u>\$ 322,236</u>	<u>\$ 1,085,824</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Cash Disbursements	Program Cash Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Security of persons and property	\$ 210,609	\$ -	\$ 1,400	\$ -
Public health services	9,673	-	-	-
Leisure time activities	109,575	35,641	-	11,895
Transportation.	169,120	-	118,333	-
General government.	201,350	-	-	-
Capital outlay	1,049,048	-	-	719,759
Debt service:				
Principal retirement	140,019	-	-	-
Interest and fiscal charges	13,356	-	-	-
Total governmental activities	<u>1,902,750</u>	<u>35,641</u>	<u>119,733</u>	<u>731,654</u>
Business-Type activities:				
Water	348,952	368,895	-	-
Sewer	891,961	531,095	-	-
Total business-type activities.	<u>1,240,913</u>	<u>899,990</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 3,143,663</u>	<u>\$ 935,631</u>	<u>\$ 119,733</u>	<u>\$ 731,654</u>

General Cash Receipts and Transfers:

Property and other taxes levied for:
General purposes
Income taxes
Grants and entitlements not restricted to specific programs.
Sale of Notes
Other.
Investment receipts
Total general cash receipts.
Change in net cash assets
Net cash assets at beginning of year.
Net cash assets at end of year

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets

Governmental Activities	Business-type Activities	Total
\$ (209,209)	\$ -	\$ (209,209)
(9,673)	-	(9,673)
(62,039)	-	(62,039)
(50,787)	-	(50,787)
(201,350)	-	(201,350)
(329,289)	-	(329,289)
(140,019)	-	(140,019)
(13,356)	-	(13,356)
<u>(1,015,722)</u>	<u>-</u>	<u>(1,015,722)</u>
-	19,943	19,943
-	(360,866)	(360,866)
-	(340,923)	(340,923)
<u>(1,015,722)</u>	<u>(340,923)</u>	<u>(1,356,645)</u>
95,261	-	95,261
714,224	-	714,224
115,816	-	115,816
-	301,500	301,500
20,533	-	20,533
47,519	-	47,519
<u>993,353</u>	<u>301,500</u>	<u>1,294,853</u>
(22,369)	(39,423)	(61,792)
<u>785,957</u>	<u>361,659</u>	<u>1,147,616</u>
<u>\$ 763,588</u>	<u>\$ 322,236</u>	<u>\$ 1,085,824</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General	Income Tax	Park Improvement	Other Governmental Funds	Total Governmental Funds
Cash assets:					
Equity in pooled cash and cash equivalents	\$ 131,813	\$ 272,639	\$ 250,000	\$ 109,136	\$ 763,588
Total assets	<u>\$ 131,813</u>	<u>\$ 272,639</u>	<u>\$ 250,000</u>	<u>\$ 109,136</u>	<u>\$ 763,588</u>
Fund cash balances:					
Unreserved, undesignated, reported in:					
General fund	\$ 131,813	\$ -	\$ -	\$ -	\$ 131,813
Special revenue funds	-	272,639	250,000	94,248	616,887
Capital projects funds	-	-	-	14,888	14,888
Total fund cash balances	<u>\$ 131,813</u>	<u>\$ 272,639</u>	<u>\$ 250,000</u>	<u>\$ 109,136</u>	<u>\$ 763,588</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Income Tax</u>	<u>Park Improvement</u>	<u>Cooper Avenue Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:						
Property taxes and other local taxes	\$ 86,732	\$ -	\$ -	\$ -	\$ 8,529	\$ 95,261
Municipal income taxes	-	714,224	-	-	-	714,224
Intergovernmental	115,817	-	-	719,758	118,333	953,908
Charges for services	-	-	-	-	35,641	35,641
Fines, licenses and permits	19,950	-	-	-	-	19,950
Interest	44,446	-	-	-	3,073	47,519
Contributions and donations	-	-	-	-	11,895	11,895
Other	1,983	-	-	-	-	1,983
Total cash receipts	<u>268,928</u>	<u>714,224</u>	<u>-</u>	<u>719,758</u>	<u>177,471</u>	<u>1,880,381</u>
Cash disbursements:						
Current:						
Security of persons and property	210,609	-	-	-	-	210,609
Public health services	9,673	-	-	-	-	9,673
Leisure time activities	-	-	-	-	109,575	109,575
Transportation	39,011	-	-	-	130,109	169,120
General government	11,324	190,026	-	-	-	201,350
Capital outlay	126,950	132,340	-	789,758	-	1,049,048
Debt service:						
Principal retirement	119,334	20,685	-	-	-	140,019
Interest and fiscal charges	3,383	9,973	-	-	-	13,356
Total cash disbursements	<u>520,284</u>	<u>353,024</u>	<u>-</u>	<u>789,758</u>	<u>239,684</u>	<u>1,902,750</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>(251,356)</u>	<u>361,200</u>	<u>-</u>	<u>(70,000)</u>	<u>(62,213)</u>	<u>(22,369)</u>
Other financing sources (uses):						
Advances in	-	300,000	-	300,000	-	600,000
Advances out	-	(300,000)	-	(300,000)	-	(600,000)
Transfers in	300,000	-	250,000	70,000	50,000	670,000
Transfers out	(250,000)	(420,000)	-	-	-	(670,000)
Total other financing sources (uses)	<u>50,000</u>	<u>(420,000)</u>	<u>250,000</u>	<u>70,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund cash balances	(201,356)	(58,800)	250,000	-	(12,213)	(22,369)
Cash basis balances						
at beginning of year	<u>333,169</u>	<u>331,439</u>	<u>-</u>	<u>-</u>	<u>121,349</u>	<u>785,957</u>
Cash basis balances at end of year	<u>\$ 131,813</u>	<u>\$ 272,639</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 109,136</u>	<u>\$ 763,588</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Property and other local taxes	\$ 85,381	\$ 85,381	\$ 86,732	\$ 1,351
Intergovernmental	114,015	114,015	115,817	1,802
Fines, licenses and permits	19,639	19,639	19,950	311
Interest	43,754	43,754	44,446	692
Other	1,952	1,952	1,983	31
Total budgetary basis receipts	<u>264,741</u>	<u>264,741</u>	<u>268,928</u>	<u>4,187</u>
Budgetary basis disbursements:				
Current:				
Security of persons and property	247,240	247,240	210,609	36,631
Public health services	10,000	10,000	9,673	327
Transportation	54,950	54,950	39,011	15,939
General government	36,500	36,500	11,324	25,176
Capital outlay	142,374	142,374	126,950	15,424
Debt service:				
Principal retirement	133,832	133,832	119,334	14,498
Interest and fiscal charges	3,794	3,794	3,383	411
Total budgetary basis disbursements	<u>628,690</u>	<u>628,690</u>	<u>520,284</u>	<u>108,406</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(363,949)</u>	<u>(363,949)</u>	<u>(251,356)</u>	<u>112,593</u>
Other financing sources/(uses):				
Transfers in	295,328	295,328	300,000	4,672
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Total other financing sources/(uses)	<u>45,328</u>	<u>45,328</u>	<u>50,000</u>	<u>4,672</u>
Net change in fund cash balance	(318,621)	(318,621)	(201,356)	117,265
Cash basis balance at beginning of year	<u>333,169</u>	<u>333,169</u>	<u>333,169</u>	<u>-</u>
Cash basis balance at end of year	<u>\$ 14,548</u>	<u>\$ 14,548</u>	<u>\$ 131,813</u>	<u>\$ 117,265</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
INCOME TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Income taxes	\$ 700,000	\$ 700,000	\$ 714,224	\$ 14,224
Total budgetary basis receipts	<u>700,000</u>	<u>700,000</u>	<u>714,224</u>	<u>14,224</u>
Budgetary basis disbursements:				
Current:				
General government	243,450	243,450	190,026	53,424
Capital outlay	235,860	235,860	132,340	103,520
Debt service:				
Principal retirement	36,865	36,865	20,685	16,180
Interest and fiscal charges	17,774	17,774	9,973	7,801
Total budgetary basis disbursements.	<u>533,949</u>	<u>533,949</u>	<u>353,024</u>	<u>180,925</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>166,051</u>	<u>166,051</u>	<u>361,200</u>	<u>195,149</u>
Other financing sources/(uses):				
Transfers out	(497,000)	(497,000)	(420,000)	77,000
Advances in	-	-	300,000	300,000
Advances out	-	-	(300,000)	(300,000)
Total other financing sources/(uses)	<u>(497,000)</u>	<u>(497,000)</u>	<u>(420,000)</u>	<u>77,000</u>
Net change in fund cash balance	(330,949)	(330,949)	(58,800)	272,149
Cash basis balance at beginning of year	<u>331,439</u>	<u>331,439</u>	<u>331,439</u>	<u>-</u>
Cash basis balance at end of year.	<u>\$ 490</u>	<u>\$ 490</u>	<u>\$ 272,639</u>	<u>\$ 272,149</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
PARK IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources/(uses):				
Transfers in.	\$ -	\$ -	\$ 250,000	\$ 250,000
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Net change in fund cash balance	-	-	250,000	250,000
Cash basis balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash basis balance at end of year.	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 250,000</u></u>	<u><u>\$ 250,000</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2007

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash assets:			
Current assets:			
Equity in pooled cash and cash equivalents.	\$ 194,676	\$ 127,560	\$ 322,236
Total assets	194,676	127,560	322,236
Net cash assets:			
Unrestricted.	194,676	127,560	322,236
Total net cash assets.	\$ 194,676	\$ 127,560	\$ 322,236

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN NET CASH ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating cash receipts:			
Charges for services	\$ 325,755	\$ 486,146	\$ 811,901
Other operating cash receipts	-	475	475
Total operating cash receipts	325,755	486,621	812,376
Operating cash disbursements:			
Personal services	118,023	114,207	232,230
Employee fringe benefits	16,877	18,105	34,982
Contractual services	156,414	210,408	366,822
Materials and supplies	33,335	220,864	254,199
Capital outlay	-	307,157	307,157
Other	11,146	15,947	27,093
Total operating cash disbursements	335,795	886,688	1,222,483
Operating cash receipts over/(under) operating cash disbursements	(10,040)	(400,067)	(410,107)
Nonoperating cash receipts (disbursements):			
Special assessment	43,140	44,474	87,614
Sale of notes	-	301,500	301,500
Redemption of principal	(13,157)	(5,273)	(18,430)
Total nonoperating cash receipts (disbursements).	29,983	340,701	370,684
Changes in net cash assets.	19,943	(59,366)	(39,423)
Net cash assets at beginning of year	174,733	186,926	361,659
Net cash assets at end of year	\$ 194,676	\$ 127,560	\$ 322,236

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of St. Henry (the "Village") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: water and sewer utilities, street construction, maintenance and repair, park operations, police services, Mayor's Court, as well as other general government services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials are financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Village chooses to prepare its financial statements and notes on the basis of cash receipts and disbursements. The cash receipts and disbursements basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. Fund accounting is a concept development to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The Village classifies each fund as either governmental, proprietary or fiduciary.

Governmental Funds - The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund - This fund is used to account for all financial resources of the Village except those required to be accounted for in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Income Tax Fund - This fund accounts for all transactions relating to the administration of the Village's municipal income tax.

Park Improvement Tax Fund - This fund accounts for all transactions relating to the possible future development of a village swimming pool.

Cooper Avenue Construction - This fund accounts for all transactions relating to the widening of Cooper Avenue.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

Other governmental funds of the Village are used to account for grants and other resources, and capital projects whose use is restricted to a particular purpose.

Proprietary Funds - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are the Village's major enterprise funds:

Water Fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the Village.

Sewer Fund - This fund accounts for the user charges and expenses of maintaining the sewer lines and facilities of the Village.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village's only fiduciary fund is an agency fund which accounts for the Village's Mayor's Court, which had no cash balance at December 31, 2007.

C. Basis of Presentation and Measurement Focus

Government-wide Statement of Activities - Cash Basis - This statement displays information about the Village as a whole, except for fiduciary funds. The statement distinguishes between those activities of the Village that are governmental and those that are considered business-type activities.

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

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

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

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimate resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determined that receipts collected will be greater than or less than the prior estimate, and the Budget Commission find the revised estimate to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. The amounts reported within the budgetary statements reflect the original and final estimated resources as certified by the County Budget Commission.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village had no appropriation amendments during 2007. The budgetary statement reflects the original and final appropriations as approved by Council.

Encumbrances:

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Village had no outstanding encumbrances at year end.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Village's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Interest earnings are allocated as authorized by State statute.

F. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village (see Note 2.A.).

H. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

I. Net Assets

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The Village first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS

State Statutes classify monies held by the Village 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 Village 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 Village has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either 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 of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Deposits with Financial Institutions

At December 31, 2007, the carrying amount of all Village deposits was \$1,085,824. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, \$1,000,269 of the Village's bank balance of \$1,100,269 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Village's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

B. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	<u>\$ 1,085,824</u>
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$ 763,588
Business type activities	<u>322,236</u>
 Total	 <u>\$ 1,085,824</u>

The Village had no investments at December 31, 2007.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEBT OBLIGATIONS

At December 31, 2007, debt obligations for governmental type activities consisted of the following issuances:

<u>Description</u>	<u>Amount</u>
2006 Promissory note, due in annual payments of \$90,000 through 2009, interest free.	\$ 180,000
2004 Land Acquisition Loan due in semi-annual payments of \$7,531.50, and semi-annual interest payments on the unpaid balance through June 1, 2014.	<u>91,170</u>
Balance at December 31, 2007	<u>\$ 271,170</u>

At December 31, 2007, debt obligations for business type activities consisted of the following issuances:

<u>Description</u>	<u>Amount</u>
1994 Ohio Public Works Commission (OPWC) Main Street Water Line Loan, due in semiannual payments of \$2,703 through 2013, interest free.	\$ 32,444
1995 Ohio Public Works Commission (OPWC) Water Treatment Plant Expansion Loan, due in semiannual payments of \$3,875 through 2015, interest free.	58,125
2006 Bank note, for the lagoon project payable in varying semi-annual payments through June 27, 2017 and with a variable rate.	470,484
2006 Ohio Public Works Commission (OPWC) Water Treatment Plant Expansion Loan, due in semi-annual payments of \$5,273 bearing 0% interest through 2027.	<u>205,626</u>
Balance at December 31, 2007	<u>\$ 766,679</u>

Transactions for the year ended December 31, 2007, are summarized as follows:

	(Restated)	Amounts			
	Balance	Proceeds		Balance	Due in
<u>Governmental:</u>	<u>12/31/06</u>	<u>Payments</u>	<u>Payments</u>	<u>12/31/07</u>	<u>One Year</u>
2006 Promissory Note	\$ 270,000	\$ -	\$ (90,000)	\$ 180,000	\$ 90,000
2004 Land Acquisition Loan	<u>120,504</u>	<u>-</u>	<u>(29,334)</u>	<u>91,170</u>	<u>15,063</u>
Total All Funds	<u>\$ 390,504</u>	<u>\$ -</u>	<u>\$ (119,334)</u>	<u>\$ 271,170</u>	<u>\$ 105,063</u>

The December 31, 2006 balance has been restated to include the 2004 Land Acquisition Loan.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEBT OBLIGATIONS - (Continued)

<u>Business Type:</u>	<u>Balance</u>			<u>Amounts</u>	
	<u>12/31/06</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u>	<u>Due in</u>
				<u>12/31/07</u>	<u>One Year</u>
1994 OPWC Loan	\$ 37,851	\$ -	\$ (5,407)	\$ 32,444	\$ 5,406
1995 OPWC Loan	65,875	-	(7,750)	58,125	7,750
2006 Bank Note	244,094	247,075	(20,685)	470,484	42,688
2006 OPWC	<u>156,474</u>	<u>54,425</u>	<u>(5,273)</u>	<u>205,626</u>	<u>5,273</u>
Total All Funds	<u>\$ 504,294</u>	<u>\$ 301,500</u>	<u>\$ (39,115)</u>	<u>\$ 766,679</u>	<u>\$ 61,117</u>

The 2006 Bank Note principal and interest was paid out of the Income Tax fund on the governmental fund financial statements.

The principal requirements to retire the debt obligations for governmental type activities outstanding at December 31, 2007, are as follows:

<u>Year Ending</u>	<u>2006</u>		<u>2004</u>		<u>Total</u>	<u>Total</u>
	<u>December 31,</u>	<u>Promissory Note</u>	<u>Land Acquisition Note</u>			
		<u>Principal</u>	<u>Principal</u>	<u>Interest</u>		
2008	\$ 90,000	\$ 15,063	\$ 15,063	\$ 2,623	\$ 105,063	\$ 2,623
2009	90,000	15,063	15,063	2,171	105,063	2,171
2010	-	15,063	15,063	1,719	15,063	1,719
2011	-	15,063	15,063	1,267	15,063	1,267
2012	-	15,063	15,063	815	15,063	815
2013-2014	-	<u>15,855</u>	<u>15,855</u>	<u>375</u>	<u>15,855</u>	<u>375</u>
Totals	<u>\$ 180,000</u>	<u>\$ 91,170</u>	<u>\$ 91,170</u>	<u>\$ 8,970</u>	<u>\$ 271,170</u>	<u>\$ 8,970</u>

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEBT OBLIGATIONS - (Continued)

The principal requirements to retire the debt obligations for business type activities outstanding at December 31, 2007, are as follows:

Year Ending December 31,	1994	1995	2006		2006	<u>Total</u> Principal	<u>Total</u> Interest
	<u>OPWC Loan</u> Principal	<u>OPWC Loan</u> Principal	<u>Bank Note</u> Principal	<u>Bank Note</u> Interest	<u>OPWC Loan</u> Principal		
2008	\$ 5,406	\$ 7,750	\$ 42,688	\$ 18,628	\$ 5,273	\$ 61,117	\$ 18,628
2009	5,406	7,750	44,439	16,877	10,546	68,141	16,877
2010	5,406	7,750	46,255	15,061	10,546	69,957	15,061
2011	5,406	7,750	48,149	13,167	10,546	71,851	13,167
2012	5,406	7,750	50,115	11,201	10,546	73,817	11,201
2013-2017	5,414	19,375	238,838	23,779	52,730	316,357	23,779
2018-2022	-	-	-	-	52,730	52,730	-
2023-2027	-	-	-	-	52,709	52,709	-
Totals	<u>\$ 32,444</u>	<u>\$ 58,125</u>	<u>\$ 470,484</u>	<u>\$ 98,713</u>	<u>\$ 205,626</u>	<u>\$ 766,679</u>	<u>\$ 98,713</u>

NOTE 5 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31, if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, State Statute permits later payment dates to be established.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, was 18.75% for 2006. This percentage was reduced to 12.5% for 2007, and will be 6.25% for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 5 - PROPERTY TAX - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

	<u>2007</u>
Real property tax	\$ 40,445,740
Public utility tangible personal property	418,530
Tangible personal property	<u>1,947,920</u>
Total assessed valuation	<u>\$ 42,812,190</u>

NOTE 6 - LOCAL INCOME TAX

This locally levied tax of 1.0% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located within the Village. The Village collected \$714,224 in 2007 in income tax receipts which are received directly into the Income Tax Special Revenue fund and transferred to various funds for operations.

NOTE 7 - DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 7 - DEFINED BENEFIT PENSION PLAN - (Continued)

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement under the traditional plan, were required to contribute 9.5% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The Village's contribution rate for pension benefits for 2007 was 8.85% for the period January 1, 2007 through June 30, 2007 and 7.85% for the period July 1, 2007 through December 31, 2007, except for those plan members in law enforcement and public safety. For those classifications, the Village's pension contributions were 12.17% of covered payroll for the period January 1, 2007 through December 31, 2007. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$58,797, \$50,271, and \$47,585, respectively; 100% has been contributed for 2007, 2006, and 2005.

	January-June 2007 <u>Amount</u>	July-December 2007 <u>Amount</u>	<u>Totals</u>
Total contributions for 2007	\$ 29,399	\$ 29,399	\$ 58,798
Percentage to fund health care	0.3610	0.4332	0.7942
Amount of contribution to fund health care	<u>\$ 10,613</u>	<u>\$ 12,736</u>	<u>\$ 23,349</u>
Portion to fund pension	<u>\$ 18,786</u>	<u>\$ 16,663</u>	<u>\$ 35,449</u>

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while the Village is required to contribute 19.50% for police officers. The portion of the Village's contributions to fund pension obligations was 19.5% for police officers. The Village's contributions for pension obligations to OP&F for the years ended December 31, 2007, 2006, and 2005 were \$14,443, \$14,488, and \$14,379, respectively; 100% has been contributed for 2007, 2006, and 2005.

	<u>Police</u>
Total contributions for 2007	\$ 14,443
Percentage to fund health care	0.346
Amount of contribution to fund health care	<u>\$ 4,997</u>
Amount of contribution to fund pension	<u>\$ 9,446</u>

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 8 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit 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 the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State Statute. The 2007 local government employer contribution rate was 13.85% of covered payroll (17.17% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care for the period January 1, 2007 through June 30, 2007 and 6.00% of covered payroll was the portion that was used to fund health care for the period July 1, 2007 through December 31, 2007.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 5.00% for the next eight years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2007. The Village's actual employer contributions for 2007 which were used to fund postemployment benefits were \$58,798. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. At December 31, 2006 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which will allow additional fund to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 8 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll, of which 6.75% of covered payroll was applied to the postemployment health care program during 2007. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2007 that were used to fund postemployment benefits was \$975 for police. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$120.374 million, which was net of member contributions of \$58.533 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006 (the latest information available), was 14,120 for police and 10,563 for firefighters.

NOTE 9 - RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity.

The Plan provides property, liability, errors and omissions, law enforcement, automobile, excessive liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 or property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 9 - RISK MANAGEMENT - (Continued)

The Pool's audited financial statements conform with accounting principles generally accepted in the United States of America and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005, the latest information available:

	2006	2005
Assets	\$ 9,620,148	\$ 8,219,430
Liabilities	(3,329,620)	(2,748,639)
Members' Equity	\$ 6,290,528	\$ 5,470,791

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

NOTE 10 - CONTINGENT LIABILITY

LITIGATION

The Village is not currently involved in litigation that the Village's legal counsel anticipates a loss.

NOTE 11 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2007, consisted of the following, as reported in the fund financial statements:

	Transfer From	
<u>Transfer to</u>	<u>Income Tax</u>	<u>General Fund</u>
General Fund	\$ 300,000	\$ -
Park Improvement	-	250,000
Cooper Avenue Construction	70,000	-
Parks & Recreation	50,000	-
Total	\$ 420,000	\$ 250,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.15.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 11 - INTERFUND TRANSACTIONS - (Continued)

B. The Village had the following interfund advances for the year ended December 31, 2007:

<u>Fund Type/Fund</u>	<u>Advance In</u>	<u>Advance Out</u>
<u>Special Revenue Fund</u>		
Income Tax	\$ 300,000	\$ 300,000
Total Special Revenue Fund	<u>\$ 300,000</u>	<u>\$ 300,000</u>
<u>Capital Projects Fund</u>		
Cooper Avenue Construction	\$ 300,000	\$ 300,000
Total Capital Projects Fund	<u>\$ 300,000</u>	<u>\$ 300,000</u>
Total	<u>\$ 600,000</u>	<u>\$ 600,000</u>

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

Members of Council and Mayor
Village of St. Henry
371 North Linn Street
St. Henry, Ohio 45883

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of St. Henry, Mercer County, Ohio, as of and for the year ended December 31, 2007, and have issued our report thereon dated March 19, 2008, wherein we noted the Village of St. Henry prepared its financial statements on the cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of St. Henry's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of St. Henry's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of St. Henry's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of St. Henry's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village of St. Henry's financial statements that is more than inconsequential will not be prevented or detected by the Village of St. Henry's internal control. We consider the deficiency identified in the accompanying schedule of findings and responses as 2007-VOSH-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of St. Henry's internal control.

Our consideration of internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

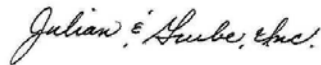
Members of Council and Mayor
Village of St. Henry

Compliance and Other Matters

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

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

This report is intended solely for the information of the Council of the Village of St. Henry and its management and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
March 19, 2008

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2007-VOSH-001

Significant Deficiency

In May of 2006, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This standard became effective for audits of financial statements for periods ending on or after December 15, 2006.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 112 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. One of those deficiencies, which is applicable to the Village is included in the SAS related to audit adjustments and it states the following:

We identified misstatements in the financial statements for the year under audit that were not initially identified by the Village's internal control. The audit adjustments were necessary to correct errors in the Village's financial statements and notes. A description of each adjustment follows:

OPWC Debt - Audit adjustments were necessary to correct on behalf payments made for the Village by OPWC. Capital outlay and intergovernmental revenues were both understated by \$138,375.

Debt Service - Audit adjustments were necessary to reclass debt services principal and interest payments that were recorded as capital outlay and contractual services in an aggregate amount of \$158,648. This amount consists of the following reclasses: Debt Service principal and interest in the Income Tax Fund were understated by \$20,685 and \$9,973, respectively and capital outlay was overstated by \$30,658. Debt Service principal and interest in the General Fund was understated by \$119,334 and \$3,383, respectively and capital outlay was overstated by \$122,717. Debt Service principal in the Sewer Fund was understated by \$5,273 and contractual services was overstated by \$5,273.

2004 Land Acquisition Loan - The 2006 note disclosures to the basic financial statements did not properly include the 2004 land acquisition loan. The ending loan balance at December 31, 2006 for the governmental type activities was understated by \$120,504.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2007-VOSH-001 - (Continued)

Client Response:

OPWC Debt - The OPWC payment had been overlooked due to the fact that OPWC no longer informs the Village when the check has been cut and sent. On future projects, we will make sure the Fiscal Officer has a copy of each pay request so we can monitor the website for any payments made on our behalf.

Debt Service - We will set up the correct appropriation codes so the payments will be labeled correctly.

2004 Land Acquisition Loan - The Village did include this and all outstanding debt on our cash financial statements filed with the Auditor of State. The Village will try to be more diligent when reviewing the audit reports.



Mary Taylor, CPA
Auditor of State

VILLAGE OF ST. HENRY

MERCER 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
MAY 27, 2008**