



Dave Yost • Auditor of State

HENRY COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Henry County
660 North Perry Street
P.O. Box 546
Napoleon, Ohio 43545-0546

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio (the County), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio, as of December 31, 2015, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparisons for the General, Country View Haven, Motor Vehicle and Gas Tax, County Board of DD and Senior Center funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3.A. to the financial statements, during the year ended December 31, 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 29, 2016

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HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED

The management's discussion and analysis of Henry County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- The total net position of the County decreased \$491,886. Net position of governmental activities decreased \$381,139 from the 2014 restated net position. Net position of business-type activities decreased \$110,747, which represents an 18.43% decrease from the restated 2014 net position.
- General revenues accounted for \$13,106,153 or 45.14% of total governmental activities revenue. Program specific revenues accounted for \$15,928,847 or 54.86% of total governmental activities revenues.
- The County had \$29,416,139 in expenses related to governmental activities. \$15,928,847 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$13,106,153 were not adequate to provide for these programs.
- The County's major governmental funds are the General fund, Country View Haven fund, Motor Vehicle and Gas Tax fund, County Board of Developmentally Disabled (DD) fund and the Senior Center fund. The General fund, the County's largest major fund, had revenues and other financing sources of \$9,229,479 in 2015, an increase of \$678,817 or 7.94% from 2014 revenues. The General fund had expenditures and other financing uses of \$8,550,222 in 2015, a decrease of \$587,994 or 6.43% from 2014. The general fund balance increased \$679,257 or 11.00% from 2014 to 2015.
- The Country View Haven fund, a County major fund, had revenues of \$1,601,460 in 2015. The Country View Haven fund had expenditures of \$1,636,262 in 2015. The Country View Haven fund balance decreased \$34,802 or 2.14% from 2014 to 2015.
- The Motor Vehicle and Gas Tax fund, a County major fund, had revenues of \$4,437,069 in 2015. The Motor Vehicle and Gas Tax fund had expenditures of \$5,391,310 in 2015. The Motor Vehicle and Gas Tax fund balance decreased \$954,241 or 28.63% from 2014 to 2015.
- The County Board of DD fund, a County major fund, had revenues of \$5,531,911 in 2015. The County Board of DD fund had expenditures of \$5,180,643 in 2015. The County Board of DD fund balance increased \$351,268 or 16.01% from 2014 to 2015.
- The Senior Center fund, a County major fund, had revenues of \$727,893 in 2015. The Senior Center fund had expenditures of \$785,258 in 2015. The Senior Center fund decreased \$57,365 or 10.97% from 2014 to 2015.
- Net position for the business-type activities, which include the Sanitary Landfill, Tower, Hahn Center and Monroe Township landfill fees enterprise funds, decreased in 2015 by \$110,747 or 18.43%.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED

Using these Basic Financial Statements (BFS)

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

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

Reporting on the County as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities answer the question, "How did we do financially during 2015?" These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

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

Proprietary Funds

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

HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

Fiduciary Funds

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

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED

Government-wide Financial Analysis

The Statement of Net Position provides the perspective of the County as a whole. The table below provides a summary of the County's net position at December 31, 2015 and December 31, 2014.

	Net Position					
	Governmental Activities 2015	Business-type Activities 2015	Restated Governmental Activities 2014	Restated Business-type Activities 2014	2015 Total	Restated 2014 Total
Assets:						
Current and other assets	\$ 34,191,508	\$ 934,217	\$ 34,103,846	\$ 1,051,074	\$ 35,125,725	\$ 35,154,920
Capital assets, net	<u>36,946,406</u>	<u>858,459</u>	<u>37,869,092</u>	<u>909,594</u>	<u>37,804,865</u>	<u>38,778,686</u>
Total assets	<u>71,137,914</u>	<u>1,792,676</u>	<u>71,972,938</u>	<u>1,960,668</u>	<u>72,930,590</u>	<u>73,933,606</u>
Deferred outflows:	<u>1,591,002</u>	<u>21,727</u>	<u>1,151,727</u>	<u>15,728</u>	<u>1,612,729</u>	<u>1,167,455</u>
Liabilities:						
Long-term liabilities outstanding	10,867,290	2,494,561	10,607,928	2,540,015	13,361,851	13,147,943
Other liabilities	<u>1,212,533</u>	<u>29,106</u>	<u>2,130,140</u>	<u>37,152</u>	<u>1,241,639</u>	<u>2,167,292</u>
Total liabilities	<u>12,079,823</u>	<u>2,523,667</u>	<u>12,738,068</u>	<u>2,577,167</u>	<u>14,603,490</u>	<u>15,315,235</u>
Deferred inflows:	<u>6,745,535</u>	<u>2,254</u>	<u>6,101,900</u>	<u>-</u>	<u>6,747,789</u>	<u>6,101,900</u>
Net position:						
Net investment in capital assets	36,874,571	858,459	37,770,073	909,594	37,733,030	38,679,667
Restricted	17,360,518	-	17,631,663	-	17,360,518	17,631,663
Unrestricted (deficit)	<u>(331,531)</u>	<u>(1,569,977)</u>	<u>(1,117,039)</u>	<u>(1,510,365)</u>	<u>(1,901,508)</u>	<u>(2,627,404)</u>
Total net position (deficit)	<u>\$ 53,903,558</u>	<u>\$ (711,518)</u>	<u>\$ 54,284,697</u>	<u>\$ (600,771)</u>	<u>\$ 53,192,040</u>	<u>\$ 53,683,926</u>

During 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED

Under the new standards required by GASB 68, the net pension liability equals the County's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the County is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$62,074,380 to \$54,284,697 and business-type activities from a deficit of \$494,394 to a deficit of \$600,771.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the County's assets and deferred outflows exceeded liabilities and deferred inflows by \$53,192,040. This amounts to \$53,903,558 in governmental activities and a deficit of \$711,518 in business-type activities.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED

Capital assets reported on the government-wide statements represent the largest portion of the County's net position. At year-end, capital assets represented 50.72% of total governmental and business-type assets. Capital assets include land, buildings and improvements, machinery and equipment, vehicles and infrastructure. The net investments in capital assets at December 31, 2015, were \$37,733,030. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the County's governmental activities net position, \$17,360,518 or 32.21%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net position is a deficit of \$331,531.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED

The table below shows the changes in net position for governmental and business-type activities for 2015 and 2014.

	Change in Net Position					
	Governmental Activities 2015	Business-type Activities 2015	Governmental Activities 2014	Business-type Activities 2014	Cross Feets 2015 Total	Cross Feets 2014 Total
Revenues:						
Program revenues:						
Charges for services and sales	\$ 4,277,699	\$ 374,950	\$ 4,187,624	\$ 373,669	\$ 4,652,649	\$ 4,561,293
Operating grants and contributions	10,653,932	-	10,848,421	-	10,653,932	10,848,421
Capital grants and contributions	997,216	-	537,899	-	997,216	537,899
Total program revenues	<u>15,928,847</u>	<u>374,950</u>	<u>15,573,944</u>	<u>373,669</u>	<u>16,303,797</u>	<u>15,947,613</u>
General revenues:						
Property taxes	6,666,309	-	5,437,617	-	6,666,309	5,437,617
Sales tax	4,003,496	-	3,845,164	-	4,003,496	3,845,164
Unrestricted grants	1,971,620	-	2,100,748	-	1,971,620	2,100,748
Investment earnings	79,543	1,465	66,498	1,732	81,008	68,230
Miscellaneous	385,185	-	454,984	-	385,185	454,984
Total general revenues	<u>13,106,153</u>	<u>1,465</u>	<u>11,905,011</u>	<u>1,732</u>	<u>13,107,618</u>	<u>11,906,743</u>
Total revenues	<u>29,035,000</u>	<u>376,415</u>	<u>27,478,955</u>	<u>375,401</u>	<u>29,411,415</u>	<u>27,854,356</u>
Expenses:						
Program expenses:						
General government	4,618,361	-	4,402,072	-	4,618,361	4,402,072
Public safety	3,674,323	-	3,113,296	-	3,674,323	3,113,296
Public works	6,648,119	-	5,547,444	-	6,648,119	5,547,444
Health	1,957,880	-	1,921,419	-	1,957,880	1,921,419
Human services	10,471,677	-	10,656,231	-	10,471,677	10,656,231
Economic development	920,522	-	768,953	-	920,522	768,953
Transportation	511,370	-	550,799	-	511,370	550,799
Intergovernmental	295,628	-	296,609	-	295,628	296,609
Other	309,045	-	110,461	-	309,045	110,461
Interest and fiscal charges	9,214	-	24,182	-	9,214	24,182
Sanitary landfill	-	371,997	-	403,084	371,997	403,084
Other business-type activities:						
Tower fund	-	29,660	-	32,286	29,660	32,286
Hahn Center	-	84,741	-	64,041	84,741	64,041
Monroe Township landfill fees	-	764	-	1,169	764	1,169
Total expenses	<u>29,416,139</u>	<u>487,162</u>	<u>27,391,466</u>	<u>500,580</u>	<u>29,903,301</u>	<u>27,892,046</u>
Change in net position	(381,139)	(110,747)	87,489	(125,179)	(491,886)	(37,690)
Net position (deficit) at beginning of year (restated)	<u>54,284,697</u>	<u>(600,771)</u>	N/A	N/A	<u>53,683,926</u>	N/A
Net position (deficit) at end of year	<u>\$ 53,903,558</u>	<u>\$ (711,518)</u>	<u>\$ 54,284,697</u>	<u>\$ (600,771)</u>	<u>\$ 53,192,040</u>	<u>\$ 53,683,926</u>

HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,167,455 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,025,449. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2015 program expenses under GASB 68	\$ 29,416,139	\$ 487,162
Pension expense under GASB 68	(1,011,634)	(13,815)
2015 contractually required contributions	1,089,287	14,875
Adjusted 2015 program expenses	29,493,792	488,222
Total 2014 program expenses under GASB 27	27,391,466	500,580
Increase (decrease) in program expenses not related to pension	\$ 2,102,326	\$ (12,358)

Governmental Activities

Governmental net position decreased by \$381,139 in 2015 from 2014.

Human services, which supports the operations of the County Board of DD fund, Senior Center fund, and Public Assistance fund, accounts for \$10,471,677 of expenses, or 35.60% of total governmental expenses of the County. These expenses were funded by \$705,546 in charges to users of services and \$4,754,625 in operating grants in 2015. General government expenses which includes legislative and executive and judicial programs, totaled \$4,618,361 or 15.70% of total governmental expenses. General government expenses were partially covered by \$2,066,715 of direct charges to users and \$39,723 in operating grants in 2015.

The State and federal government contributed to the County revenues of \$10,653,932 in operating grants and contributions and \$997,216 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$4,754,625, or 44.63%, subsidized human services programs.

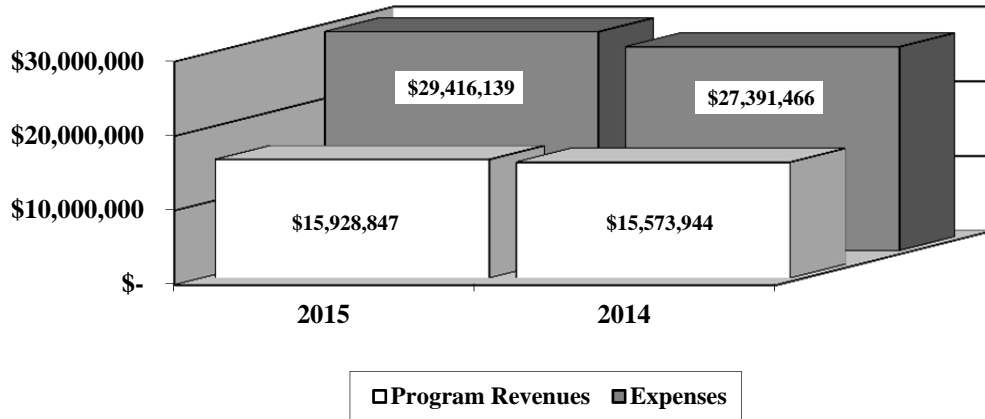
General revenues totaled \$13,106,153 and amounted to 45.14% of total revenues. These revenues primarily consist of property and sales tax revenue of \$10,669,805 or 81.41% of total general revenues in 2015. The other primary source of general revenues is grants and entitlements not restricted to specific programs of \$1,971,620.

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 2015 and 2014. As can be seen in the graph below, the County is reliant upon general revenues to finance operations as program revenues are not sufficient to cover total expenses.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Governmental Activities – Program Revenues vs. Total Expenses



The following table shows, for governmental activities, the total cost of services and the net cost of services for 2015 and 2014. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted State grants and entitlements).

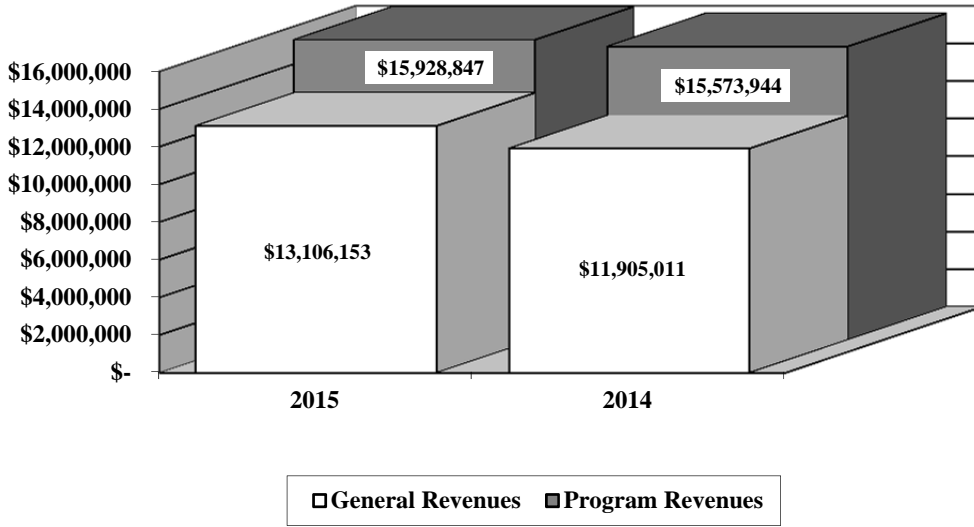
	Governmental Activities			
	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program expenses:				
General government	\$ 4,618,361	\$ 2,511,923	\$ 4,402,072	\$ 2,521,173
Public safety	3,674,323	2,942,911	3,113,296	2,693,197
Public works	6,648,119	1,224,677	5,547,444	89,365
Health	1,957,880	1,195,421	1,921,419	1,033,438
Human services	10,471,677	5,011,506	10,656,231	4,949,455
Economic development and assistance	920,522	90,883	768,953	169,305
Transportation	511,370	(38,340)	550,799	3,763
Intergovernmental	295,628	295,628	296,609	296,609
Other	309,045	243,469	110,461	37,035
Interest and fiscal charges	9,214	9,214	24,182	24,182
Total	\$ 29,416,139	\$ 13,487,292	\$ 27,391,466	\$ 11,817,522

The dependence upon general revenues for governmental activities is apparent, with 45.85% and 43.14% of expenses supported through taxes and other general revenues during 2015 and 2014, respectively. The graph below illustrates the County's reliance upon general revenues.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Governmental Activities – General and Program Revenues



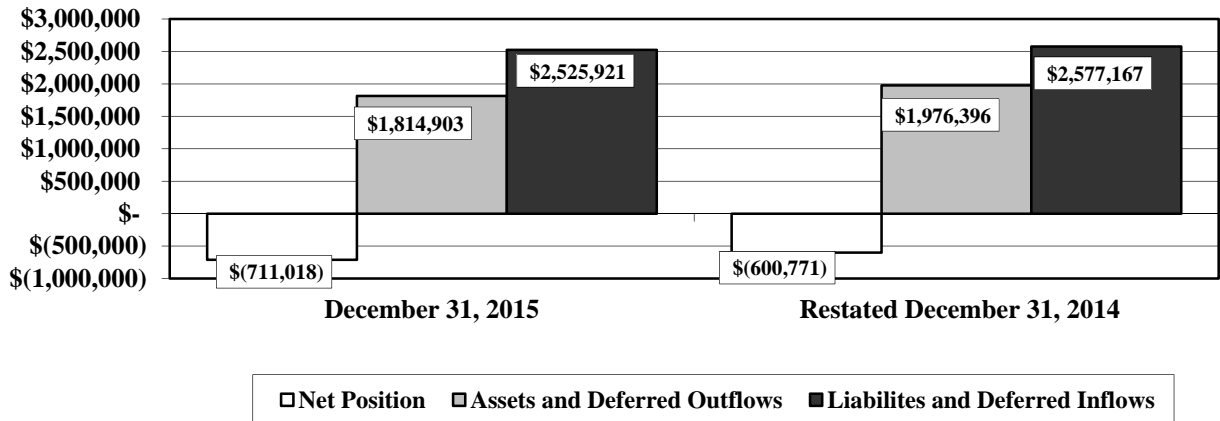
Business-type Activities

The Sanitary Landfill, Tower, Hahn Center and Monroe Township landfill fees are the County's enterprise funds. These programs had revenues of \$374,950, general revenues of \$1,465, and expenses of \$487,162 for 2015.

The business-type activities net position decreased \$110,747 or 18.43% during 2015.

The following graph illustrates the assets, liabilities, and net position of the County's business-type activities at December 31, 2015 and December 31, 2014.

Net Position in Business-type Activities



HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The County's governmental funds reported a combined fund balance of \$21,758,959, which is \$872,537 more than last year's total of \$20,886,422. The following schedule indicates the fund balance and the total change in fund balance as of December 31, 2015 and December 31, 2014 for all major and nonmajor governmental funds.

	<u>Fund Balance</u> <u>December 31, 2015</u>	<u>Fund Balance</u> <u>December 31, 2014</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 6,855,011	\$ 6,175,754	\$ 679,257
Country view haven fund	1,591,501	1,626,303	(34,802)
Motor vehicle and gas tax	2,378,396	3,332,637	(954,241)
County board of DD	2,544,784	2,193,516	351,268
Senior center fund	465,503	522,868	(57,365)
Other nonmajor governmental funds	<u>7,923,764</u>	<u>7,035,344</u>	<u>888,420</u>
Total	<u>\$ 21,758,959</u>	<u>\$ 20,886,422</u>	<u>\$ 872,537</u>

General Fund

The General fund, the County's largest major fund, had revenues and other financing sources of \$9,229,479 in 2015, an increase of \$678,817 from 2014 revenues. The general fund had expenditures and other financing uses of \$8,550,222 in 2015, a decrease of \$587,994 from 2014. The general fund balance increased \$679,257 from 2014 to 2015.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

The table that follows assists in illustrating the revenues of the general fund during 2015 and 2014.

	2015 <u>Amount</u>	2014 <u>Amount</u>	Percentage <u>Change</u>
Revenues:			
Taxes	\$ 6,230,141	\$ 5,617,770	10.90 %
Charges for services	1,121,469	1,106,409	1.36 %
Licenses and permits	1,296	1,631	(20.54) %
Fines and forfeitures	68,932	62,831	9.71 %
Intergovernmental	1,168,046	1,186,255	(1.53) %
Investment income	79,543	66,498	19.62 %
Other	<u>555,052</u>	<u>494,906</u>	12.15 %
Total	<u>\$ 9,224,479</u>	<u>\$ 8,536,300</u>	8.06 %

The increase in taxes was due to the property tax revaluation in effect for 2015 collections.. The increase in investment income is due to more interest recorded on the County's certificates of deposit during 2015. The increase in other revenue is due to more rental income being received from the Four County ADAMHS Board, a jointly governed organization.

The table that follows assists in illustrating the expenditures of the general fund during 2015 and 2014.

	2015 <u>Amount</u>	2014 <u>Amount</u>	Percentage <u>Change</u>
Expenditures:			
Current:			
General government			
Legislative and executive	\$ 2,144,116	\$ 2,126,396	0.83 %
Judicial	1,236,519	1,349,244	(8.35) %
Public safety	2,807,989	2,700,158	3.99 %
Public works	121,713	304,362	(60.01) %
Health	174,335	62,125	180.62 %
Human services	274,364	319,326	(14.08) %
Economic development and assistance	147,263	178,010	(17.27) %
Intergovernmental	295,628	296,609	(0.33) %
Other	<u>203,780</u>	<u>31,260</u>	551.89 %
Total	<u>\$ 7,405,707</u>	<u>\$ 7,367,490</u>	0.52 %

Expenditures have increased 0.52% from 2014 for the County. The significant areas of change in expenditures are public works, health, human services, economic development and other. The decrease in public works can be primarily attributed to a decrease in expenditures related to courthouse improvements. The increase in health can be primarily attributed to an increase in rent for the Four County ADAMHS Board, a jointly governed organization. The decrease in human services can be primarily attributed to a decrease in relief allowance for veteran services. The decrease in economic development can be attributed to a decrease in contributions to the Henry County CIC. The increase in other expenditures was due to increases in unanticipated emergencies. All other expenditures remained comparable to 2015.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED

Country View Haven Fund

The Country View Haven fund, a County major fund, had revenues of \$1,601,460 in 2015. The Country View Haven fund had expenditures of \$1,636,262 in 2015. The Country View Haven fund balance decreased \$34,802 or 2.14% from 2014 to 2015.

Motor Vehicle and Gas Tax Fund

The Motor Vehicle and Gas Tax fund, a County major fund, had revenues of \$4,437,069 in 2015. The Motor Vehicle and Gas Tax fund had expenditures of \$5,391,310 in 2015. The Motor Vehicle and Gas Tax fund balance decreased \$954,241 or 28.63% from 2014 to 2015 primarily due to increased expenditures for the new Maumee River Bridge.

County Board of Developmental Disabled (DD) Fund

The County Board of DD fund, a County major fund, had revenues of \$5,531,911 in 2015. The County Board of DD fund had expenditures of \$5,180,643 in 2015. The County Board of DD fund balance increased \$351,268 or 16.01% from 2014 to 2015 primarily due to less retirement payouts and a transition of day services to a private provider.

Senior Center Fund

The Senior Center fund, a County major fund, had revenues of \$727,893 in 2015. The Senior Center fund had expenditures of \$785,258 in 2015. The Senior Center fund balance decreased \$57,365 or 10.97% from 2014 to 2015 primarily due to a decrease in the amount of donations received.

Budgeting Highlights General Fund

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

Original budgeted revenues were \$8,408,002. Final budgeted revenues were \$9,194,189. Actual revenues and other financing sources of \$8,995,426 were less than final budgeted revenues by \$198,763. Original budgeted expenditures and other financing uses were \$8,567,276. Final budgeted expenditures and other financing uses were \$9,099,914. Actual expenditures and other financing uses of \$8,565,079 were less than final budgeted expenditures by \$534,835.

Proprietary Funds

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

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Sanitary Landfill Fund

The Sanitary Landfill fund, a major proprietary fund, had operating revenues of \$265,085 in 2015, an increase of \$13,684 or 5.44% from 2014 revenues. The sanitary landfill fund had operating expenses of \$371,997 in 2015, a decrease of \$31,087 or 7.71% from 2014. The sanitary landfill fund also reported \$1,465 in non-operating revenues during 2015. The net change in operating revenues and expenses contributed to the decrease in net position of \$105,447 during 2015.

Capital Assets and Debt Administration

Capital Assets

At the end of 2015, the County had \$37,804,865 (net of accumulated depreciation) invested in land, buildings and improvements, machinery and equipment, vehicles and infrastructure. Of this total, \$36,946,406 was reported in governmental activities and \$858,459 was reported in business-type activities. The following table shows December 31, 2015 balances compared to December 31, 2014.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,003,318	\$ 1,940,808	\$ 249,481	\$ 249,481	\$ 2,252,799	\$ 2,190,289
Building and improvements	7,225,446	8,554,582	67,825	72,148	7,293,271	8,626,730
Machinery and equipment	590,163	527,463	122,397	134,500	712,560	661,963
Vehicles	2,386,683	2,474,613	57,280	68,668	2,443,963	2,543,281
Infrastructure	24,740,796	24,371,626	361,476	384,797	25,102,272	24,756,423
Total	<u>\$ 36,946,406</u>	<u>\$ 37,869,092</u>	<u>\$ 858,459</u>	<u>\$ 909,594</u>	<u>\$ 37,804,865</u>	<u>\$ 38,778,686</u>

See Note 11 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

Debt Administration

At December 31, 2015 the County had \$2,413,226 in general obligation bonds, special assessment bonds, mortgage loan and an estimated liability for landfill/post closure. Of this total \$21,332 is due within one year and \$2,391,894 is due in greater than one year. The following table summarizes the outstanding debt at December 31, 2015.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Outstanding Long-Term Obligations, at Year End

	Governmental Activities 2015	Business-type Activities 2015	Total 2015
Long-term obligations:			
General obligation bonds	\$ 8,000	\$ -	\$ 8,000
Special assessment bonds	47,474	-	47,474
Mortgage loan	16,361	-	16,361
Estimated liability for landfill closure/post closure	-	2,341,391	2,341,391
Total	<u>\$ 71,835</u>	<u>\$ 2,341,391</u>	<u>\$ 2,413,226</u>

At December 31, 2015 the County's overall legal debt margin was \$17,634,458. See Note 13 to the basic financial statements for detail on governmental activities and business-type activities long term debt.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for 2015.

The County's unemployment rate is 5.9%, compared to the 5.1% state average and the 5.3% national average.

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

These economic factors were considered in preparing the County's budget for fiscal year 2015. Budgeted revenues and other financing sources in the general fund for 2015 is \$8,656,282. With the continuation of conservative budgeting practices and the increase in the local sales tax, the County's financial position should remain stable in future years.

Contacting the County's Financial Management

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

HENRY COUNTY, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 18,704,335	\$ 163,322	\$ 18,867,657
Cash in segregated accounts	247,166	350	247,516
Receivables:			
Sales taxes	1,070,060	-	1,070,060
Property and other taxes	6,910,564	-	6,910,564
Accounts	40,574	514	41,088
Due from other governments	4,699,003	-	4,699,003
Special assessments	415,282	-	415,282
Accrued interest	2,649	118	2,767
Loans	1,754,485	-	1,754,485
Leases	82,000	-	82,000
Prepayments	58,897	243	59,140
Materials and supplies inventory	192,593	192	192,785
Net pension asset	13,900	190	14,090
Restricted assets:			
Equity in pooled cash and cash equivalents .	-	769,288	769,288
Capital assets:			
Land	2,003,318	249,481	2,252,799
Depreciable capital assets, net	34,943,088	608,978	35,552,066
Total capital assets, net	<u>36,946,406</u>	<u>858,459</u>	<u>37,804,865</u>
Total assets	<u>71,137,914</u>	<u>1,792,676</u>	<u>72,930,590</u>
Deferred outflows of resources:			
Pension - OPERS	1,591,002	21,727	1,612,729
Total deferred outflows of resources	<u>1,591,002</u>	<u>21,727</u>	<u>1,612,729</u>
Total assets and deferred outflows of resources .	<u>72,728,916</u>	<u>1,814,403</u>	<u>74,543,319</u>
Liabilities:			
Accounts payable	452,749	19,157	471,906
Contracts payable	25,496	-	25,496
Accrued wages and benefits payable	181,832	1,920	183,752
Pension obligation payable	95,744	1,210	96,954
Due to other governments	147,729	6,819	154,548
Deposits held and due to others	247,073	-	247,073
Amount to be repaid to claimants	61,057	-	61,057
Accrued interest payable	853	-	853
Long-term liabilities:			
Due within one year	808,046	11,817	819,863
Net pension liability	9,151,909	124,980	9,276,889
Due in more than one year	907,335	2,357,764	3,265,099
Total liabilities	<u>12,079,823</u>	<u>2,523,667</u>	<u>14,603,490</u>
Deferred inflows of resources:			
Property taxes levied for the next year	6,498,513	-	6,498,513
Pension - OPERS	165,022	2,254	167,276
Leases receivable	82,000	-	82,000
Total deferred inflows of resources	<u>6,745,535</u>	<u>2,254</u>	<u>6,747,789</u>
Net position:			
Net investment in capital assets	36,874,571	858,459	37,733,030
Restricted for:			
Capital projects	1,149,043	-	1,149,043
Debt service	224,749	-	224,749
Public safety programs	552,074	-	552,074
Public works projects	3,590,188	-	3,590,188
Human services	5,202,814	-	5,202,814
Health programs	1,582,215	-	1,582,215
Economic development programs	2,074,470	-	2,074,470
Other purposes	2,984,965	-	2,984,965
Unrestricted (deficit)	<u>(331,531)</u>	<u>(1,569,977)</u>	<u>(1,901,508)</u>
Total net position (deficit)	<u>\$ 53,903,558</u>	<u>\$ (711,518)</u>	<u>\$ 53,192,040</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Current:				
General government:				
Legislative and executive	\$ 3,225,035	\$ 1,679,899	\$ 11,217	\$ -
Judicial	1,393,326	386,816	28,506	-
Public safety	3,674,323	182,613	548,799	-
Public works	6,648,119	135,755	4,290,471	997,216
Health	1,957,880	723,979	38,480	-
Human services	10,471,677	705,546	4,754,625	-
Economic development and assistance . .	920,522	-	829,639	-
Transportation	511,370	463,091	86,619	-
Intergovernmental	295,628	-	-	-
Other	309,045	-	65,576	-
Interest and fiscal charges	9,214	-	-	-
Total governmental activities	<u>29,416,139</u>	<u>4,277,699</u>	<u>10,653,932</u>	<u>997,216</u>
Business-type activities:				
Sanitary landfill	371,997	265,085	-	-
Tower fund	29,660	34,498	-	-
Hahn Center	84,741	74,567	-	-
Monroe Township landfill fees	764	800	-	-
Total business-type activities	<u>487,162</u>	<u>374,950</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 29,903,301</u>	<u>\$ 4,652,649</u>	<u>\$ 10,653,932</u>	<u>\$ 997,216</u>

General revenues:

Property taxes levied for:

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

Total general revenues

Change in net position

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

Net position (deficit) at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,533,919)	\$ -	\$ (1,533,919)
(978,004)	-	(978,004)
(2,942,911)	-	(2,942,911)
(1,224,677)	-	(1,224,677)
(1,195,421)	-	(1,195,421)
(5,011,506)	-	(5,011,506)
(90,883)	-	(90,883)
38,340	-	38,340
(295,628)	-	(295,628)
(243,469)	-	(243,469)
(9,214)	-	(9,214)
<u>(13,487,292)</u>	<u>-</u>	<u>(13,487,292)</u>
-	(106,912)	(106,912)
-	4,838	4,838
-	(10,174)	(10,174)
<u>-</u>	<u>36</u>	<u>36</u>
<u>-</u>	<u>(112,212)</u>	<u>(112,212)</u>
<u>(13,487,292)</u>	<u>(112,212)</u>	<u>(13,599,504)</u>
2,184,606	-	2,184,606
3,109,356	-	3,109,356
428,006	-	428,006
944,341	-	944,341
4,003,496	-	4,003,496
1,971,620	-	1,971,620
79,543	1,465	81,008
385,185	-	385,185
<u>13,106,153</u>	<u>1,465</u>	<u>13,107,618</u>
(381,139)	(110,747)	(491,886)
<u>54,284,697</u>	<u>(600,771)</u>	<u>53,683,926</u>
<u>\$ 53,903,558</u>	<u>\$ (711,518)</u>	<u>\$ 53,192,040</u>

HENRY COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 6,205,933	\$ 1,667,831	\$ 1,723,730	\$ 2,611,415
Cash in segregated accounts	-	93	-	221
Receivables:				
Sales taxes	1,070,060	-	-	-
Property and other taxes	1,678,279	789,779	-	3,504,644
Accounts	17,312	-	31	4,393
Due from other governments	521,745	11,689	2,077,484	274,304
Special assessments	-	-	-	-
Accrued interest	2,149	-	280	-
Loans	-	-	-	-
Due from other funds	701	-	7,858	-
Leases receivable	82,000	-	-	-
Prepayments	47,020	-	-	9,168
Materials and supplies inventory	18,655	-	162,159	3,094
Total assets	<u>\$ 9,643,854</u>	<u>\$ 2,469,392</u>	<u>\$ 3,971,542</u>	<u>\$ 6,407,239</u>
Liabilities:				
Accounts payable	\$ 94,277	\$ 38,436	\$ 144,953	\$ 23,958
Contracts payable	-	-	-	-
Accrued wages and benefits payable	62,201	13,941	11,812	54,804
Compensated absences payable	354	-	-	-
Due to other funds	3,018	-	-	13,352
Due to other governments	46,536	15,314	8,216	44,569
Pension obligation payable	34,396	8,732	9,240	18,303
Deposits held and due to others	-	-	-	221
Amount to be repaid to claimants	61,057	-	-	-
Total liabilities	<u>301,839</u>	<u>76,423</u>	<u>174,221</u>	<u>155,207</u>
Deferred inflows of resources:				
Property taxes levied for the next year	1,578,210	742,687	-	3,295,675
Delinquent property tax revenue not available	100,069	47,092	-	208,969
Special assessments revenue not available	-	-	-	-
Sales tax revenue not available	365,040	-	-	-
Unavailable grant revenue	-	-	-	-
Lease revenue not available	82,000	-	-	-
Nonexchange transactions	361,685	11,689	1,418,925	202,604
Total deferred inflows of resources	<u>2,487,004</u>	<u>801,468</u>	<u>1,418,925</u>	<u>3,707,248</u>
Fund balances:				
Nonspendable	65,675	-	162,159	12,262
Restricted	-	1,591,501	2,216,237	2,532,522
Committed	-	-	-	-
Assigned	1,020,193	-	-	-
Unassigned (deficit)	5,769,143	-	-	-
Total fund balances	<u>6,855,011</u>	<u>1,591,501</u>	<u>2,378,396</u>	<u>2,544,784</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,643,854</u>	<u>\$ 2,469,392</u>	<u>\$ 3,971,542</u>	<u>\$ 6,407,239</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Senior Center	Other Governmental Funds	Total Governmental Funds
\$ 503,025	\$ 5,992,401	\$ 18,704,335
246,852	-	247,166
-	-	1,070,060
937,862	-	6,910,564
150	18,688	40,574
37,546	1,776,235	4,699,003
-	415,282	415,282
-	220	2,649
-	1,754,485	1,754,485
162	23,152	31,873
-	-	82,000
-	2,709	58,897
-	8,685	192,593
<u>\$ 1,725,597</u>	<u>\$ 9,991,857</u>	<u>\$ 34,209,481</u>
\$ 20,463	\$ 130,662	\$ 452,749
-	25,496	25,496
4,112	34,962	181,832
-	-	354
10,859	4,644	31,873
3,941	29,153	147,729
2,699	22,374	95,744
246,852	-	247,073
-	-	61,057
<u>288,926</u>	<u>247,291</u>	<u>1,243,907</u>
881,941	-	6,498,513
55,921	-	412,051
-	415,282	415,282
-	-	365,040
-	1,405,520	1,405,520
-	-	82,000
33,306	-	2,028,209
<u>971,168</u>	<u>1,820,802</u>	<u>11,206,615</u>
-	11,394	251,490
465,503	7,544,197	14,349,960
-	372,187	372,187
-	-	1,020,193
-	(4,014)	5,765,129
<u>465,503</u>	<u>7,923,764</u>	<u>21,758,959</u>
<u>\$ 1,725,597</u>	<u>\$ 9,991,857</u>	<u>\$ 34,209,481</u>

HENRY COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total governmental fund balances	\$	21,758,959
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		36,946,406
The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds.		13,900
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 412,051	
Sales taxes receivable	365,040	
Special assessments receivable	415,282	
Intergovernmental receivable	3,433,729	
Total	4,626,102	4,626,102
On the statement of net position interest is accrued on outstanding bonds and loans payable, whereas in the governmental funds, interest is accrued when due.		(853)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.		
Deferred outflows - OPERS	1,591,002	
Deferred Inflows - OPERS	(165,022)	
Net pension liability - OPERS	(9,151,909)	
Total	(7,725,929)	(7,725,929)
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(8,000)	
Special assessment bonds payable	(47,474)	
Mortgage loans payable	(16,361)	
Compensated absences payable	(1,643,192)	
Total	(1,715,027)	(1,715,027)
Net position of governmental activities	\$	53,903,558

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>
Revenues:				
Sales taxes	\$ 4,035,878	\$ -	\$ -	\$ -
Property and other taxes	2,194,263	948,885	-	3,129,521
Charges for services	1,121,469	542,907	-	595,119
Licenses and permits	1,296	-	-	-
Fines and forfeitures	68,932	-	41,355	-
Intergovernmental	1,168,046	36,382	4,375,546	1,630,365
Special assessments	-	-	-	-
Investment income	79,543	-	4,609	-
Rental income	169,868	71,337	4,002	-
Contributions and donations	-	30	-	18,945
Other	385,184	1,919	11,557	157,961
Total revenues	<u>9,224,479</u>	<u>1,601,460</u>	<u>4,437,069</u>	<u>5,531,911</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	2,144,116	-	-	-
Judicial	1,236,519	-	-	-
Public safety	2,807,989	-	-	-
Public works	121,713	-	5,391,310	-
Health	174,335	1,636,262	-	-
Human services	274,364	-	-	5,172,921
Economic development and assistance	147,263	-	-	-
Transportation	-	-	-	-
Intergovernmental	295,628	-	-	-
Other	203,780	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	7,315
Interest and fiscal charges	-	-	-	407
Total expenditures	<u>7,405,707</u>	<u>1,636,262</u>	<u>5,391,310</u>	<u>5,180,643</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,818,772</u>	<u>(34,802)</u>	<u>(954,241)</u>	<u>351,268</u>
Other financing sources (uses):				
Transfers in	5,000	-	-	-
Transfers (out)	(1,144,515)	-	-	-
Total other financing sources (uses)	<u>(1,139,515)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	679,257	(34,802)	(954,241)	351,268
Fund balances at beginning of year	<u>6,175,754</u>	<u>1,626,303</u>	<u>3,332,637</u>	<u>2,193,516</u>
Fund balances at end of year	<u>\$ 6,855,011</u>	<u>\$ 1,591,501</u>	<u>\$ 2,378,396</u>	<u>\$ 2,544,784</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Senior Center	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 4,035,878
397,903	-	6,670,572
-	1,489,910	3,749,405
-	102,832	104,128
-	68,672	178,959
189,252	4,977,098	12,376,689
-	424,377	424,377
-	49,362	133,514
-	-	245,207
131,924	6,800	157,699
8,814	749,343	1,314,778
<u>727,893</u>	<u>7,868,394</u>	<u>29,391,206</u>
-	722,739	2,866,855
-	95,983	1,332,502
-	846,277	3,654,266
-	136,940	5,649,963
-	112,568	1,923,165
785,258	4,044,261	10,276,804
-	773,259	920,522
-	513,891	513,891
-	-	295,628
-	87,579	291,359
-	756,853	756,853
-	19,869	27,184
-	9,270	9,677
<u>785,258</u>	<u>8,119,489</u>	<u>28,518,669</u>
<u>(57,365)</u>	<u>(251,095)</u>	<u>872,537</u>
-	1,223,075	1,228,075
-	(83,560)	(1,228,075)
-	<u>1,139,515</u>	<u>-</u>
(57,365)	888,420	872,537
522,868	7,035,344	20,886,422
<u>\$ 465,503</u>	<u>\$ 7,923,764</u>	<u>\$ 21,758,959</u>

HENRY COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Net change in fund balances - total governmental funds \$ 872,537

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

Governmental funds report capital outlays as expenditures.

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

Capital asset additions	\$ 2,160,464	
Current year depreciation	(2,078,139)	
Total		82,325

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (1,005,011)

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

Property taxes	(4,263)	
Sales taxes	(32,382)	
Special assessments	(102,413)	
Intergovernmental revenues	(217,148)	
Total		(356,206)

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 27,184

In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. 463

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (80,085)

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 1,089,287

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,011,633)

Change in net position of governmental activities \$ (381,139)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales taxes	\$ 3,750,000	\$ 3,923,645	\$ 3,923,645	\$ -
Property and other taxes.	2,108,000	2,221,495	2,221,495	-
Charges for services.	938,750	1,078,875	962,083	(116,792)
Licenses and permits	1,560	1,571	1,296	(275)
Fines and forfeitures	70,000	71,496	71,496	-
Intergovernmental.	1,166,992	1,256,521	1,170,150	(86,371)
Investment income.	30,000	43,363	81,899	38,536
Rental income	33,200	171,090	169,868	(1,222)
Other	309,500	426,133	388,494	(37,639)
Total revenues	8,408,002	9,194,189	8,990,426	(203,763)
Expenditures:				
Current:				
General government:				
Legislative and executive	2,299,449	2,308,021	2,176,760	131,261
Judicial	1,290,193	1,285,171	1,164,215	120,956
Public safety	3,052,052	2,993,099	2,813,069	180,030
Public works	133,325	141,448	131,072	10,376
Health	62,662	179,881	174,335	5,546
Human services	346,223	302,892	307,540	(4,648)
Economic development and assistance .	148,626	158,786	151,336	7,450
Intergovernmental	299,609	304,016	295,628	8,388
Other	86,500	278,205	206,609	71,596
Total expenditures	7,718,639	7,951,519	7,420,564	530,955
Excess of revenues over expenditures . . .	689,363	1,242,670	1,569,862	327,192
Other financing sources (uses):				
Transfers in	-	-	5,000	5,000
Transfers (out).	(848,637)	(1,148,395)	(1,144,515)	3,880
Total other financing sources (uses)	(848,637)	(1,148,395)	(1,139,515)	8,880
Net change in fund balance.	(159,274)	94,275	430,347	336,072
Fund balance at beginning of year	5,256,601	5,256,601	5,256,601	-
Prior year encumbrances appropriated . . .	75,391	75,391	75,391	-
Fund balance at end of year	\$ 5,172,718	\$ 5,426,267	\$ 5,762,339	\$ 336,072

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTRY VIEW HAVEN
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 1,111,700	\$ 961,700	\$ 961,700	\$ -
Charges for services	525,000	559,820	559,820	-
Intergovernmental	92,858	242,858	36,382	(206,476)
Rental income	27,000	71,337	71,337	-
Contributions and donations.	17,816	17,816	90	(17,726)
Other	5,000	5,000	2,042	(2,958)
Total revenues	<u>1,779,374</u>	<u>1,858,531</u>	<u>1,631,371</u>	<u>(227,160)</u>
Expenditures:				
Current:				
Health	1,801,734	1,821,681	1,694,866	126,815
Total expenditures	<u>1,801,734</u>	<u>1,821,681</u>	<u>1,694,866</u>	<u>126,815</u>
Net change in fund balance.	(22,360)	36,850	(63,495)	(100,345)
Fund balance at beginning of year	1,620,907	1,620,907	1,620,907	-
Prior year encumbrances appropriated .	23,860	23,860	23,860	-
Fund balance at end of year	<u>\$ 1,622,407</u>	<u>\$ 1,681,617</u>	<u>\$ 1,581,272</u>	<u>\$ (100,345)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MOTOR VEHICLE AND GAS TAX
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 55,551	\$ 55,000	\$ 44,010	\$ (10,990)
Intergovernmental	4,774,538	4,912,946	4,444,894	(468,052)
Investment income.	6,000	6,000	5,356	(644)
Rental income	3,268	4,002	4,002	-
Other	14,660	14,660	14,660	-
Total revenues	<u>4,854,017</u>	<u>4,992,608</u>	<u>4,512,922</u>	<u>(479,686)</u>
Expenditures:				
Current:				
Public works.	<u>4,854,017</u>	<u>5,850,157</u>	<u>5,487,918</u>	<u>362,239</u>
Total expenditures	<u>4,854,017</u>	<u>5,850,157</u>	<u>5,487,918</u>	<u>362,239</u>
Net change in fund balance.	-	(857,549)	(974,996)	(117,447)
Fund balance at beginning of year	2,422,427	2,422,427	2,422,427	-
Prior year encumbrances appropriated .	<u>204,332</u>	<u>204,332</u>	<u>204,332</u>	-
Fund balance at end of year	<u>\$ 2,626,759</u>	<u>\$ 1,769,210</u>	<u>\$ 1,651,763</u>	<u>\$ (117,447)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY BOARD OF DD
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes.	\$ 3,100,000	\$ 3,186,390	\$ 3,186,390	\$ -
Charges for services	575,000	691,235	617,764	(73,471)
Intergovernmental	1,722,306	2,080,876	1,668,756	(412,120)
Contributions and donations.	15,000	18,945	18,945	-
Other	65,000	158,714	158,714	-
Total revenues	<u>5,477,306</u>	<u>6,136,160</u>	<u>5,650,569</u>	<u>(485,591)</u>
Expenditures:				
Current:				
Human services	<u>6,003,972</u>	<u>6,236,860</u>	<u>5,350,734</u>	<u>886,126</u>
Total expenditures	<u>6,003,972</u>	<u>6,236,860</u>	<u>5,350,734</u>	<u>886,126</u>
Net change in fund balance.	(526,666)	(100,700)	299,835	400,535
Fund balance at beginning of year	2,035,424	2,035,424	2,035,424	-
Prior year encumbrances appropriated	11,000	11,000	11,000	-
Fund balance at end of year	<u>\$ 1,519,758</u>	<u>\$ 1,945,724</u>	<u>\$ 2,346,259</u>	<u>\$ 400,535</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 SENIOR CENTER
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 410,850	\$ 411,067	\$ 411,067	\$ -
Intergovernmental	182,232	148,792	143,645	(5,147)
Contributions and donations.	7,500	131,774	131,774	-
Other	9,000	9,000	9,000	-
Total revenues	<u>609,582</u>	<u>700,633</u>	<u>695,486</u>	<u>(5,147)</u>
Expenditures:				
Current:				
Human services	765,750	839,350	790,611	48,739
Total expenditures	<u>765,750</u>	<u>839,350</u>	<u>790,611</u>	<u>48,739</u>
Excess of expenditures over revenues	<u>(156,168)</u>	<u>(138,717)</u>	<u>(95,125)</u>	<u>43,592</u>
Other financing sources:				
Transfer in	389,000	389,000	-	(389,000)
Total other financing sources	<u>389,000</u>	<u>389,000</u>	<u>-</u>	<u>(389,000)</u>
Net change in fund balance.	232,832	250,283	(95,125)	43,592
Fund balance at beginning of year	<u>527,457</u>	<u>527,457</u>	<u>527,457</u>	<u>-</u>
Fund balance at end of year	<u>\$ 760,289</u>	<u>\$ 777,740</u>	<u>\$ 432,332</u>	<u>\$ 43,592</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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HENRY COUNTY, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 13,011	\$ 150,311	\$ 163,322
Cash with fiscal and escrow agents	350	-	350
Receivables (net of allowance for uncollectibles):			
Accounts	514	-	514
Accrued interest	118	-	118
Restricted assets:			
Equity in pooled cash and cash equivalents	769,288	-	769,288
Prepayments	243	-	243
Materials and supplies inventory	192	-	192
Net pension asset	190	-	190
Total current assets	<u>783,906</u>	<u>150,311</u>	<u>934,217</u>
Noncurrent assets:			
Capital assets:			
Land	249,481	-	249,481
Depreciable capital assets, net	608,978	-	608,978
Total capital assets, net	<u>858,459</u>	<u>-</u>	<u>858,459</u>
Total noncurrent assets	<u>858,459</u>	<u>-</u>	<u>858,459</u>
Total assets	<u>1,642,365</u>	<u>150,311</u>	<u>1,792,676</u>
Deferred outflows of resources:			
Pension - OPERS	21,727	-	21,727
Total deferred outflows of resources	<u>21,727</u>	<u>-</u>	<u>21,727</u>
Total assets and deferred outflows of resources	<u>1,664,092</u>	<u>150,311</u>	<u>1,814,403</u>
Liabilities:			
Current liabilities:			
Accounts payable	17,389	1,768	19,157
Accrued wages and benefits payable	1,920	-	1,920
Compensated absences payable	11,817	-	11,817
Due to other governments	5,144	1,675	6,819
Pension obligation payable	1,210	-	1,210
Total current liabilities	<u>37,480</u>	<u>3,443</u>	<u>40,923</u>
Long-term liabilities:			
Compensated absences payable	16,373	-	16,373
Net pension liability	124,980	-	124,980
Estimated accrued liability for landfill closure and post closure costs	2,341,391	-	2,341,391
Total long-term liabilities	<u>2,482,744</u>	<u>-</u>	<u>2,482,744</u>
Total liabilities	<u>2,520,224</u>	<u>3,443</u>	<u>2,523,667</u>
Deferred inflows of resources:			
Pension - OPERS	2,254	-	2,254
Total deferred inflows of resources	<u>2,254</u>	<u>-</u>	<u>2,254</u>
Total liabilities and deferred inflows of resources	<u>2,522,478</u>	<u>3,443</u>	<u>2,525,921</u>
Net position:			
Investment in capital assets	858,459	-	858,459
Unrestricted (deficit)	(1,716,845)	146,868	(1,569,977)
Total net position (deficit)	<u>\$ (858,386)</u>	<u>\$ 146,868</u>	<u>\$ (711,518)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Operating revenues:			
Charges for services	\$ 265,085	\$ 109,865	\$ 374,950
Total operating revenues.	<u>265,085</u>	<u>109,865</u>	<u>374,950</u>
Operating expenses:			
Personal services	115,973	-	115,973
Contract services.	166,062	37,875	203,937
Materials and supplies.	702	810	1,512
Depreciation.	51,135	-	51,135
Landfill closure and post-closure costs . . .	26,155	-	26,155
Utilities	11,970	29,000	40,970
Other	-	47,480	47,480
Total operating expenses.	<u>371,997</u>	<u>115,165</u>	<u>487,162</u>
Operating (loss)	<u>(106,912)</u>	<u>(5,300)</u>	<u>(112,212)</u>
Nonoperating revenues:			
Interest income	1,465	-	1,465
Total nonoperating revenues.	<u>1,465</u>	<u>-</u>	<u>1,465</u>
Change in net position	(105,447)	(5,300)	(110,747)
Net position (deficit) at beginning of year (restated)	<u>(752,939)</u>	<u>152,168</u>	<u>(600,771)</u>
Net position (deficit) at end of year	<u>\$ (858,386)</u>	<u>\$ 146,868</u>	<u>\$ (711,518)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from charges for services	269,566	\$ 111,686	\$ 381,252
Cash payments for personal services	(139,231)	-	(139,231)
Cash payments for contractual services	(168,438)	(37,011)	(205,449)
Cash payments for materials and supplies	(845)	(2,218)	(3,063)
Cash payments for utilities	(11,970)	(29,000)	(40,970)
Cash payments for other expenses	(55,427)	(47,480)	(102,907)
Net cash (used in) operating activities	<u>(106,345)</u>	<u>(4,023)</u>	<u>(110,368)</u>
Cash flows from investing activities:			
Interest received	1,622	-	1,622
Net cash provided by investing activities	<u>1,622</u>	<u>-</u>	<u>1,622</u>
Net (decrease) in cash and cash equivalents	(104,723)	(4,023)	(108,746)
Cash and cash equivalents at beginning of year	887,372	154,334	1,041,706
Cash and cash equivalents at end of year	<u>\$ 782,649</u>	<u>\$ 150,311</u>	<u>\$ 932,960</u>
Reconciliation of operating (loss) to net cash (used in) operating activities:			
Operating (loss)	\$ (106,912)	\$ (5,300)	\$ (112,212)
Adjustments:			
Depreciation	51,135	-	51,135
Changes in assets and liabilities:			
Decrease in accounts receivable	4,481	1,821	6,302
Increase in materials and supplies inventory	(143)	-	(143)
Decrease in prepayments	1,933	-	1,933
Increase in net pension asset	(138)	-	(138)
Increase in deferred outflows - pension	(5,999)	-	(5,999)
Decrease in accounts payable	(1,636)	(199)	(1,835)
Decrease in accrued wages and benefits	(4,933)	-	(4,933)
Decrease in due to other governments	(1,184)	(345)	(1,529)
Increase in pension obligation payable	251	-	251
Decrease in landfill closure and postclosure care liability	(29,272)	-	(29,272)
Decrease in compensated absences payable	(19,005)	-	(19,005)
Increase in net pension liability	2,823	-	2,823
Increase in deferred inflows - pension	2,254	-	2,254
Net cash (used in) operating activities	<u>\$ (106,345)</u>	<u>\$ (4,023)</u>	<u>\$ (110,368)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2015**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 6,866,385
Cash in segregated accounts	81,824
Receivables:	
Property and other taxes	30,987,228
Due from other governments	1,218,834
Special assessments	162,495
Accrued interest	<u>71</u>
Total assets	<u>\$ 39,316,837</u>
Liabilities:	
Due to other governments	\$ 38,128,795
Deposits held and due to others	631,877
Undistributed assets	<u>556,165</u>
Total liabilities	<u>\$ 39,316,837</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

JOINTLY GOVERNED ORGANIZATIONS

Maumee Valley Planning Organization

The Maumee Valley Planning Organization (MVPO) is a jointly governed organization among Henry, Defiance, Fulton, Paulding, and Williams Counties. The MVPO is an organization established to improve the social and economic conditions of the region through development and conservation. The MVPO is governed by a fifteen member executive council composed of the three county commissioners, the mayor of the largest municipality, three mayors selected by the committee of mayors that represent the incorporated cities and villages, the township trustee association president, the regional planning commission chairman, and two members at large to represent business, industry, labor, agricultural, low income, minority groups, education, and consumer protection activities. The County provides resources to the executive council based on a membership fee and services provided to the County. The MVPO exercises total control over the operation of MVPO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the MVPO. In 2015, Henry County contributed \$164,318 for the MVPO's operations. Information can be obtained from Brett J. Kolb, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

Corrections Commission of Northwest Ohio

The Corrections Commission of Northwest Ohio (CCNO) is a jointly governed organization among Henry, Defiance, Fulton, Lucas and Williams Counties and the City of Toledo. The CCNO was established to provide jail space for convicted criminals in the five counties and the City of Toledo and to provide a correctional center for the inmates. The CCNO was created in 1986 and occupancy started in 1991. The commission team consists of eighteen members; one judge, one chief law enforcement officer and one county commissioner or administrative official from each entity. The commission team exercises total control over the operation of the CCNO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CCNO. In 2015, Henry County contributed \$890,259 for the CCNO's operations. Information can be obtained from William Ott, Fiscal Manager, Corrections Commission of Northwest Ohio, 3151 County Road 2425, Stryker, Ohio 43557.

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

The Four County Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) is a jointly governed organization among Henry, Defiance, Fulton, and Williams Counties to provide alcohol, drug addiction, and mental health services to individuals in the four counties. The Governing Board of ADAMHS consists of eighteen members; four members appointed by the Ohio Director of Alcohol and Drug Addiction Services, four members appointed by the Ohio Director of Mental Health Services, Defiance and Fulton County Commissioners appointing three members each and Henry and Williams County Commissioners appointing two members each. The Governing Board exercises total control over the operation of the ADAMHS including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the ADAMHS. In 2015, Henry County contributed \$734,707 for the ADAMHS operations. Information can be obtained from Jill Little, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

Quadco Rehabilitation Center, Administrative Board

The Quadco Rehabilitation Center (Quadco) is a jointly governed organization among Henry, Defiance, Fulton, and Williams Counties. Quadco Rehabilitation Center is a nonprofit corporation which provides services and facilities for training physically and mentally disabled persons. Quadco is responsible for contracting with various agencies to obtain funding to operate the organization. Quadco is governed by an eight-member Board composed of two appointees made by each of the four County Boards Developmental Disabilities (County Boards of DD). This Board, in conjunction with the County Boards of DD, assesses the needs of adult mentally challenged and developmentally disabled residents of each county and sets priorities based on available funds. The County provides resources to the Board based on units of service provided to the County. Quadco exercises total control over the operation of Quadco including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for Quadco. In 2015, Henry County contributed \$16,746 for Quadco's operations. Information can be obtained from Terry Fruth, CFO, Quadco Rehabilitation Center, 427 North Defiance Street, Stryker, Ohio 43557.

Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center

The Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center (Center) is a jointly governed organization among Henry, Defiance, Fulton and Williams Counties. The Center's Board of Trustees consists of thirteen members; three from each county and one at-large member. The Board of Trustees exercises total control over the operation of the Center including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the Center. In 2015, Henry County contributed \$208,512 for the Center's operations. Information can be obtained from Brett J. Kolb, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

Henry County Community Improvement Corporation

The Community Improvement Corporation of Henry County (CIC) is a jointly governed organization among Henry County, the City of Napoleon, and the respective villages and townships of Henry County. The purpose of the CIC is to promote and encourage the establishment and growth of industrial, commercial, distribution, and research facilities within member subdivisions. The CIC is governed by a Board of Trustees consisting of fifteen self-appointed members. Not less than two-fifths of the members are to be composed of elected officials. Five of these trustees include: a member of the Board of County Commissioners of Henry County, the Auditor of Henry County, the Mayor or his/her designated elected official of the City of Napoleon, another Mayor or his/her designated elected official from any Village in the County and the President of the Henry County Trustees or his/her designated elected official. The remaining members represent private residents of Henry County or employees of Henry County businesses or firms. The County provides resources to the Board of trustees based on a membership fee. The CIC exercises total control over the operation of CIC including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CIC. In 2015, Henry County contributed \$65,655 for the CIC's operations. Information can be obtained from Amanda Griffith, Executive Assistant, 104 E. Washington Street, Suite 301, Napoleon, Ohio 43545.

RELATED ORGANIZATIONS

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

B. Basis of Presentation and Measurement Focus

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

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

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

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

County Board of Developmentally Disabled (DD) Fund - This fund accounts for the provision of assistance, care, and training to mentally challenged and developmentally disabled individuals of the County. Revenue sources include a countywide property tax levy and federal and State grants.

Senior Center Fund - This fund accounts for the operation of the senior center. Revenue sources include a countywide property tax levy, donations and federal and state grants.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

PROPRIETARY FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

D. Basis of Accounting

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance year 2016 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Special assessments not received within the available period, sales tax revenue, lease revenue not available, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2015, are recorded as deferred inflows in the governmental funds.

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

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

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

E. Budgetary Process

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the fall with respective officeholders and department heads.
2. Shortly after the beginning of the year, the Board of County Commissioners passes an appropriation resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.
3. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The revised budget figures reflected in the budgetary statements include the prior year appropriations carried over for liquidations against prior year encumbrances and any amendments to the original appropriation resolution.
5. The Board of County Commissioners appropriate at the fund, department and line item. For funds which are directly appropriated by the Board of County Commissioners, the transfer of appropriations at the fund, department and line item requires a resolution signed by at least two Commissioners.
6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2015.
7. Unencumbered appropriations lapse at year end. Contracts and purchase-type encumbrances outstanding at year end carry their appropriations with them into the next year. Contracts and purchase-type encumbrances outstanding at year end are recorded as expenditures on the budget basis of accounting.
8. The budgetary procedures described herein apply to all funds except the agency funds.

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

F. Cash and Investments

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2015 amounted to \$79,543 which includes \$60,836 assigned from other County funds.

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

G. Inventories of Materials and Supplies

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

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

H. Capital Assets

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

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

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

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

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

I. Compensated Absences

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2015, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2015, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

K. Accrued Liabilities and Long-term Obligations

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

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

L. Interfund Transactions

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivable/interfund payable” for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. The County had no interfund loans receivable/payable or advances to/from other funds outstanding at December 31, 2015.

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

M. Fund Balance

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

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

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

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

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

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

N. Net Position

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

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

O. Restricted Assets

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County administration and that are either unusual in nature or infrequent in occurrence. No extraordinary transactions or special items occurred during 2015.

Q. Estimates

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

R. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. The County did not receive any capital contribution during 2015.

S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. For the County, deferred outflows of resources are reported for pension amounts on the government-wide and proprietary funds statement of net position. See Note 15.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes and leases that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, these unavailable amounts are reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, special assessments, sales tax, grants, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide and proprietary funds statement of net position. See Note 15.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2015, the County implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the County's pension plan disclosures, as presented in Note 15 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities and business-type activities at January 1, 2015 have been restated as follows:

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

	Governmental Activities		Major Enterprise Fund
Net position as previously reported	\$ 62,074,380		\$ (646,562)
Net pension asset	3,788		52
Deferred outflows - payments subsequent to measurement date	1,151,727		15,728
Net pension liability	(8,945,198)		(122,157)
Restated net position at January 1, 2015	\$ 54,284,697		\$ (752,939)
	Business-Type Activities		
Net position as previously reported	\$ (494,394)		\$ (646,562)
Net pension asset	52		52
Deferred outflows - payments subsequent to measurement date	15,728		15,728
Net pension liability	(122,157)		(122,157)
Restated net position at January 1, 2015	\$ (600,771)		\$ (752,939)

Other than employer contributions subsequent to the measurement date, the County made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on governmental fund balances.

B. Deficit/Fund Balance

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Dog and Kennel Fund	\$ 3,923
 <u>Major Enterprise Fund</u>	
Sanitary Landfill	858,386

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year end, the County had \$3,421 in undeposited cash on hand, of which \$1,021 is included on the financial statements as “cash in segregated accounts” and \$2,400 is included on the financial statements of the County as part of “equity in pooled cash and cash equivalents”.

B. Cash in Segregated Accounts

At year end, the County had \$329,340 cash and cash equivalents deposited separate from the County’s internal investment pool. This amount is included in the amount of “deposits with financial institutions” below.

C. Restricted Assets

The County had \$769,288 in restricted assets associated with the County landfill. This amount is included in the amount of “deposits with financial institutions” below.

D. Deposits with Financial Institutions

At December 31, 2015, the carrying amount of all County deposits was \$26,829,249. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2015, \$26,472,872 of the County’s bank balance of \$27,368,995 was exposed to custodial risk as discussed below, while \$896,123 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the County’s deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository.

The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 26,829,249
Cash on hand	<u>3,421</u>
Total	<u>\$ 26,832,670</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 18,951,501
Business-type activities	932,960
Agency funds	<u>6,948,209</u>
Total	<u>\$ 26,832,670</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2015, consisted of the following, as reported on the fund financial statements:

<u>Transfers to general fund from:</u>	
Nonmajor governmental funds	\$ 5,000
 <u>Transfers to nonmajor governmental fund from:</u>	
General fund	1,144,515
Nonmajor governmental funds	<u>78,560</u>
Total	<u>\$ 1,228,075</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. \$5,000 in residual fund equity was transferred from nonmajor governmental funds to the general fund.

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

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

- B. Due from/to other funds consisted of the following at December 31, 2015, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 701
Motor vehicle and gas tax	General	3,018
Motor vehicle and gas tax	Nonmajor governmental	3,781
Motor vehicle and gas tax	Senior center	670
Motor vehicle and gas tax	County board of DD	389
Senior center	Nonmajor governmental	162
Nonmajor governmental	Senior center	10,189
Nonmajor governmental	County board of DD	<u>12,963</u>
Total due to/due from other funds		<u>\$ 31,873</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2015, and are collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, other outstanding delinquencies which are measurable as of December 31, 2015 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflows since the current taxes were not levied to finance 2015 operations and the collection of delinquent taxes has been offset by deferred inflows since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred inflow.

The full tax rate for all County operations for the year ended December 31, 2015 was \$14.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 668,909,340
Commercial/industrial/mineral	64,420,210
Public utility	<u>23,378,810</u>
Total assessed value	<u>\$ 756,708,360</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited to the general fund. A receivable is recognized at year end for amounts that will be received from sales which occurred during 2015 and amounts that are measurable and available at year end are accrued as revenue. Amounts received outside the available period are recorded as deferred inflows on the fund financial statements and as revenue on the government-wide financial statements. Sales and use tax for 2015 amounted to \$4,035,878 as reported on the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2015, consisted of taxes, accrued interest, loans, accounts (billings for user charged services), special assessments, leases, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the financial statements. All interfund transactions related to charges for goods and services rendered have been classified as "due from other funds" on the fund financial statements which are eliminated on the government-wide statements (See Note 5.B.). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

Governmental activities:	<u>Amount</u>
Sales taxes	\$ 1,070,060
Property and other taxes	6,910,564
Accounts	40,574
Due from other governments	4,699,003
Special assessments	415,282
Accrued interest	2,649
Loans	1,754,485
Leases	82,000
Business-type activities:	
Accounts	514
Accrued interest	118

Receivables have been disaggregated on the face of the financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments, leases and the loans. The special assessments are collected over the term of the assessment and the loans receivable are collected over the term of the loan. The leases receivable will be collected annually through 2022 (See Note 10).

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - LOANS RECEIVABLE

The County maintains revolving loan programs for local businesses to encourage business development in the County and housing rehabilitation to bring homes into conformance with local and state codes. A summary of the County's loan activity for 2015 is as follows:

	<u>Balance</u> 12/31/14	<u>Issued</u>	<u>Payments/ Reductions</u>	<u>Balance</u> 12/31/15
CDBG Microenterprise	\$ 28,631	\$ -	\$ (23,212)	\$ 5,419
CDBG Economic Development	1,461,694	240,000	(279,635)	1,422,059
CDBG Housing	<u>267,040</u>	<u>65,141</u>	<u>(5,174)</u>	<u>327,007</u>
Total revolving loans	<u>\$ 1,757,365</u>	<u>\$ 305,141</u>	<u>\$ (308,021)</u>	<u>\$ 1,754,485</u>

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

NOTE 10 - LEASES RECEIVABLE

The County is the lessor of one building to Wesche & Harmon, Ltd.

The lease with Wesche & Harmon, Ltd. is \$500 per month, for the first four months of the lease, payable in monthly installments on or before the 1st of each month, and \$1,000 per month payable in monthly installments on or before the 1st of each month for the remaining 118 months of the 122 month lease. The County is carrying the building on their books at a cost of \$120,000 and accumulated depreciation of \$27,600 for a carrying book value of \$92,400.

The future minimum lease payments as of December 31, 2015, are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Minimum</u> <u>Lease Payments</u>
2016	\$ 12,000
2017	12,000
2018	12,000
2019	12,000
2020	12,000
2021 - 2022	<u>22,000</u>
Totals	<u>\$ 82,000</u>

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11 - CAPITAL ASSETS - (Continued)

	Balance 12/31/14	Additions	Disposals	Balance 12/31/15
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,940,808	\$ 70,000	\$ (7,490)	\$ 2,003,318
Total capital assets, not being depreciated	1,940,808	70,000	(7,490)	2,003,318
<i>Capital assets, being depreciated:</i>				
Building and improvements	25,761,411	-	(3,873,730)	21,887,681
Equipment	1,489,147	144,902	(36,141)	1,597,908
Vehicles	5,449,014	253,882	(383,705)	5,319,191
Infrastructure	45,486,089	1,691,680	-	47,177,769
Total capital assets, being depreciated	78,185,661	2,090,464	(4,293,576)	75,982,549
<i>Less: accumulated depreciation:</i>				
Building and improvements	(17,206,829)	(389,523)	2,934,117	(14,662,235)
Equipment	(961,684)	(72,095)	26,034	(1,007,745)
Vehicles	(2,974,401)	(294,011)	335,904	(2,932,508)
Infrastructure	(21,114,463)	(1,322,510)	-	(22,436,973)
Total accumulated depreciation	(42,257,377)	(2,078,139)	3,296,055	(41,039,461)
Total capital assets being depreciated, net	35,928,284	12,325	(997,521)	34,943,088
Governmental activities capital assets, net	\$ 37,869,092	\$ 82,325	\$ (1,005,011)	\$ 36,946,406

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

Governmental activities:	
General government:	
Legislative and executive	\$ 284,139
Judicial	19,734
Public safety	91,659
Public works	1,488,184
Health	31,217
Human services	151,441
Other	11,765
Total depreciation expense - governmental activities	\$ 2,078,139

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11 - CAPITAL ASSETS - (Continued)

	Balance 12/31/14	Additions	Deductions	Balance 12/31/15
Business-type activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 249,481	\$ -	\$ -	\$ 249,481
Total capital assets, not being depreciated	249,481	-	-	249,481
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	153,801	-	-	153,801
Machinery and equipment	215,115	-	-	215,115
Vehicles	421,920	-	-	421,920
Infrastructure	466,421	-	-	466,421
Total capital assets, being depreciated	1,257,257	-	-	1,257,257
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(81,653)	(4,323)	-	(85,976)
Machinery and equipment	(80,615)	(12,103)	-	(92,718)
Vehicles	(353,252)	(11,388)	-	(364,640)
Infrastructure	(81,624)	(23,321)	-	(104,945)
Total accumulated depreciation	(597,144)	(51,135)	-	(648,279)
Total capital assets, being depreciated net	660,113	(51,135)	-	608,978
Business-type activities capital assets, net	\$ 909,594	\$ (51,135)	\$ -	\$ 858,459

NOTE 12 - COMPENSATED ABSENCES

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

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

Each employee of the County with ten or more years of service with any Ohio local government or the State of Ohio is paid 50% of his or her accumulated unused sick leave, up to a maximum of 90 days or 720 hours upon retirement from the County. Each employee of the County with five to ten years of service is paid 25% of his or her accumulated unused sick leave, up to a maximum of 45 days or 360 hours upon retirement from the County.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - COMPENSATED ABSENCES - (Continued)

At December 31, 2015, vested benefits for vacation leave for governmental activities employees totaled \$786,360 and vested benefits for sick leave totaled \$856,832. In addition, the County has recorded a liability in the governmental funds in the amount of \$354 for employees who have notified the County by December 31, 2015 of their intent to retire. These amounts represent the total vested benefits and are reported in the government-wide financial statements. For business-type activities, vested benefits for vacation leave totaled \$11,817 and vested benefits for sick leave totaled \$16,373. These amounts represent the total portion of the vested benefits and are reported as a liability of the fund from which the employee is paid.

NOTE 13 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2015, the following changes occurred in the County's governmental long-term obligations:

	Restated Balance <u>12/31/14</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/15</u>	Amount Due in <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
2003 - 5% Grelton					
waterline bond	\$ 16,000	\$ -	\$ (8,000)	\$ 8,000	\$ 2,000
Total general obligation bonds	<u>16,000</u>	<u>-</u>	<u>(8,000)</u>	<u>8,000</u>	<u>2,000</u>
Special assessment bonds					
<u>with governmental commitment:</u>					
1998 - 4.75%	59,343	-	(11,869)	47,474	11,869
Total special assessment bonds	<u>59,343</u>	<u>-</u>	<u>(11,869)</u>	<u>47,474</u>	<u>11,869</u>
<u>Other obligations:</u>					
Compensated absences	1,563,711	717,471	(637,636)	1,643,546	786,714
Net Pension Liability	8,945,198	206,711	-	9,151,909	-
Mortgage loan - 2%	23,676	-	(7,315)	16,361	7,463
Total other obligations	<u>10,532,585</u>	<u>924,182</u>	<u>(644,951)</u>	<u>10,811,816</u>	<u>794,177</u>
Total governmental activities long-term obligations	<u>\$ 10,607,928</u>	<u>\$ 924,182</u>	<u>\$ (664,820)</u>	<u>\$ 10,867,290</u>	<u>\$ 808,046</u>

General obligation bonds

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

Special assessment bonds

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Mortgage loan

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

Compensated absences

Compensated absences will be paid from the funds from which the employees' salaries are paid, which are primarily the general, County Board of DD, Motor Vehicle and Gas Tax and Public Assistance funds.

Net Pension Liability

See Note 15 for information on this liability.

Future debt service requirements

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

Year Ended	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 2,000	\$ 400	\$ 2,400	\$ 11,869	\$ 515	\$ 12,384
2017	2,000	300	2,300	11,869	515	12,384
2018	2,000	200	2,200	11,869	515	12,384
2019	<u>2,000</u>	<u>100</u>	<u>2,100</u>	<u>11,867</u>	<u>515</u>	<u>12,382</u>
Total	<u>\$ 8,000</u>	<u>\$ 1,000</u>	<u>\$ 9,000</u>	<u>\$ 47,474</u>	<u>\$ 2,060</u>	<u>\$ 49,534</u>

Year Ended	Mortgage Loan		
	Principal	Interest	Total
2016	\$ 7,463	\$ 259	\$ 7,722
2017	7,614	108	7,722
2018	<u>1,284</u>	<u>3</u>	<u>1,287</u>
Total	<u>\$ 16,361</u>	<u>\$ 370</u>	<u>\$ 16,731</u>

B. Business-type Long-Term Obligations

During 2015, the following changes occurred in the County's business-type long-term obligations:

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

	Restated Balance <u>12/31/14</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/15</u>	Due in <u>One Year</u>
Business-type activities:					
Net pension liability	\$ 122,157	\$ 2,823	\$ -	\$ 124,980	\$ -
Landfill closure and postclosure care liability	2,370,663	26,155	(55,427)	2,341,391	-
Compensated absences	<u>47,195</u>	<u>3,065</u>	<u>(22,070)</u>	<u>28,190</u>	<u>11,817</u>
Total	<u>\$ 2,540,015</u>	<u>\$ 32,043</u>	<u>\$ (77,497)</u>	<u>\$ 2,494,561</u>	<u>\$ 11,817</u>

Landfill closure and postclosure care liability

See Note 22 for information on this liability.

Compensated absences

Compensated absences will be paid from the sanitary landfill fund.

Net Pension Liability

See Note 15 for information on this liability.

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, the County's voted legal debt margin was \$17,634,458 at December 31, 2015 and the unvoted legal debt margin was \$7,783,833 at December 31, 2015.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - RISK MANAGEMENT

A. Property and Liability Insurance

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

During 2015, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for liability, property, automotive, and crime insurance. The CORSA program has a \$2,500 deductible. Coverage provided by CORSA is as follows:

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - RISK MANAGEMENT - (Continued)

B. BORMA Benefits Pool

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

As of December 31, 2015, the pool had cash reserves of \$3,805,216, which, in the opinion of management, is adequate for any claims currently pending against the pool. The 2015 monthly premiums paid by Henry County per covered employee were \$1,325 for family coverage and \$457 for single coverage. The monthly life insurance premium was \$1.80 per \$10,000 of coverage. The cost of coverage for premiums is paid out of each respective fund and department that pays the salary of the individuals covered under the plan. Employees contribute a portion of each monthly premium through payroll withholding. During 2015, the County was not required to pay into the pool for covered benefits. The amount of risk retained by the pool in 2015 was \$250,000 per individual; coverage in excess of this amount was provided by Sun Life Financial.

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments/pension obligation payable* on both the accrual and modified accrual bases of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	14.1 %	14.1 %
Post-employment Health Care Benefits	<u>2.0 %</u>	<u>4.0 %</u>	<u>4.0 %</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>11.5 %</u>	<u>12.1 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

The County's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$1,104,162 for 2015. Of this amount, \$83,103 is reported as pension obligations payable.

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability or asset was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate share of the net pension liability	\$ 9,276,889
Proportionate share of the net pension asset	14,090
Proportion of the net pension liability	0.09444400%
Proportion of the net pension asset	0.04493500%
Pension expense	\$ 1,025,449

At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>
Deferred outflows of resources	
Differences between expected and actual experience	\$ 495,846
Difference between employer contributions and proportionate share of contributions	12,720
County contributions subsequent to the measurement date	<u>1,104,163</u>
Total deferred outflows of resources	<u>\$ 1,612,729</u>
Deferred inflows of resources	
Differences between expected and actual experience	<u>\$ 167,276</u>
Total deferred inflows of resources	<u>\$ 167,276</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$1,104,163 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2016	\$ 54,122
2017	54,122
2018	111,853
2019	123,451
2020	(511)
Thereafter	(1,747)
Total	\$ 341,290

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the County's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 20,956,179	\$ 9,276,889	\$ 3,334,818
Combined Plan	\$ 2,247	\$ (14,090)	\$ (32,803)

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 was 2.00%.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - POSTEMPLOYMENT BENEFIT PLANS - (Continued)

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$178,597, \$230,173, and \$111,692, respectively; 91.54% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as pension and postemployment benefits payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the General, Country View Haven, Motor Vehicle and Gas Tax , County Board of DD and Senior Center funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING (Continued)

	Net Change in Fund Balance				
	<u>General Fund</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>	<u>Senior Center</u>
Budget basis	\$ 430,347	\$ (63,495)	\$ (974,996)	\$ 299,835	\$ (95,125)
Net adjustment for revenue accruals	234,053	(29,911)	(75,853)	(118,658)	32,407
Net adjustment for expenditure accruals	(23,398)	31,576	24,641	169,102	5,353
Adjustment for encumbrances	<u>38,255</u>	<u>27,028</u>	<u>71,967</u>	<u>989</u>	<u>-</u>
GAAP basis	<u>\$ 679,257</u>	<u>\$ (34,802)</u>	<u>\$ (954,241)</u>	<u>\$ 351,268</u>	<u>\$ (57,365)</u>

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

NOTE 18 - CONTINGENCIES

A. Grants

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

B. Litigation

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 19 - FUND BALANCE

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

Fund balance	General	Country View Haven	Motor Vehicle and Gas Tax	County Board of DD	Senior Center	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:							
Prepays	\$ 47,020	\$ -	\$ -	\$ 9,168	\$ -	\$ 2,709	\$ 58,897
Materials and supplies inventory	18,655	-	162,159	3,094	-	8,685	192,593
Total nonspendable	65,675	-	162,159	12,262	-	11,394	251,490
Restricted:							
Debt service	-	-	-	-	-	224,749	224,749
Capital improvements	-	-	-	-	-	524,629	524,629
Public safety	-	-	-	-	-	613,406	613,406
Public works	-	-	2,216,237	-	-	4,469	2,220,706
Human services	-	-	-	2,532,522	465,503	1,125,862	4,123,887
Health programs	-	1,591,501	-	-	-	245	1,591,746
Economic development programs	-	-	-	-	-	2,074,470	2,074,470
Other purposes	-	-	-	-	-	2,976,367	2,976,367
Total restricted	-	1,591,501	2,216,237	2,532,522	465,503	7,544,197	14,349,960
Committed:							
Capital improvements	-	-	-	-	-	208,651	208,651
Public safety	-	-	-	-	-	84,226	84,226
Public works	-	-	-	-	-	37,916	37,916
Other purposes	-	-	-	-	-	41,394	41,394
Total committed	-	-	-	-	-	372,187	372,187
Assigned:							
Legislative and executive	396	-	-	-	-	-	396
Public safety	6,374	-	-	-	-	-	6,374
Public works	2,261	-	-	-	-	-	2,261
Human services	24,400	-	-	-	-	-	24,400
Subsequent year appropriations	986,762	-	-	-	-	-	986,762
Total assigned	1,020,193	-	-	-	-	-	1,020,193
Unassigned (deficit)	5,769,143	-	-	-	-	(4,014)	5,765,129
Total fund balances	\$ 6,855,011	\$ 1,591,501	\$ 2,378,396	\$ 2,544,784	\$ 465,503	\$ 7,923,764	\$ 21,758,959

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 20 - PUBLIC ENTITY RISK POOL

The County Risk Sharing Authority, Inc., (CORSA) is a public entity risk sharing pool among forty-one counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees.

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2015 was \$122,994.

NOTE 21 - CONDUIT DEBT OBLIGATIONS

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

At December 31, 2015, health care facility revenue bonds outstanding aggregated \$2,960,000.

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 22 - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,341,391 as of December 31, 2015, which is based on approximately 100% usage (filled) of the landfill. The landfill was closed during 2013. The estimated total current cost for landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2015. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The County is required by State and federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 2015, cash and cash equivalents of \$769,288 are held for these purposes. These cash and cash equivalents are held and managed by the County and are presented on the County's financial statements as "restricted assets: equity in pooled cash and cash equivalents". It is anticipated that future inflation costs will be financed in part from interest. The remaining portion of anticipated future inflation costs (including inadequate interest, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by taxpayers.

NOTE 23 - OTHER COMMITMENTS

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

	Year-End
<u>Fund</u>	<u>Encumbrances</u>
General	\$ 38,255
Country view haven	27,028
Motor vehicle & gas tax	71,967
County Board of DD	989
Nonmajor governmental	<u>289,871</u>
Total	<u>\$ 428,110</u>

REQUIRED SUPPLEMENTARY INFORMATION

HENRY COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>		
County's proportion of the net pension liability	0.094444%	0.094444%
County's proportionate share of the net pension liability	\$ 9,276,889	\$ 9,067,355
County's covered-employee payroll	\$ 9,564,533	\$ 11,231,962
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	96.99%	80.73%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%
<i>Combined Plan:</i>		
County's proportion of the net pension asset	0.044935%	0.044935%
County's proportionate share of the net pension asset	\$ 14,090	\$ 3,840
County's covered-employee payroll	\$ 164,258	\$ 167,600
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	8.58%	2.29%
Plan fiduciary net position as a percentage of the total pension asset	114.83%	104.56%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the County's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

HENRY COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 1,085,085	\$ 1,147,744	\$ 1,460,155	\$ 1,135,250
Contributions in relation to the contractually required contribution	<u>(1,085,085)</u>	<u>(1,147,744)</u>	<u>(1,460,155)</u>	<u>(1,135,250)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 9,042,375	\$ 9,564,533	\$ 11,231,962	\$ 11,352,500
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 19,077	\$ 19,711	\$ 21,788	\$ 19,195
Contributions in relation to the contractually required contribution	<u>(19,077)</u>	<u>(19,711)</u>	<u>(21,788)</u>	<u>(19,195)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 158,975	\$ 164,258	\$ 167,600	\$ 241,447
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	7.95%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,204,980	\$ 1,043,150	\$ 1,002,088	\$ 482,900	\$ 602,308	\$ 710,513
<u>(1,204,980)</u>	<u>(1,043,150)</u>	<u>(1,002,088)</u>	<u>(482,900)</u>	<u>(602,308)</u>	<u>(710,513)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 12,049,800	\$ 11,694,507	\$ 12,325,806	\$ 6,898,571	\$ 7,213,269	\$ 7,722,967
10.00%	8.92%	8.13%	7.00%	8.35%	9.20%
\$ 16,358	\$ 18,743	\$ -	\$ -	\$ -	\$ -
<u>(16,358)</u>	<u>(18,743)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 205,761	\$ 193,426	\$ -	\$ -	\$ -	\$ -
7.95%	9.69%	8.13%	7.00%	8.35%	9.20%

HENRY COUNTY, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL GRANTOR/ PASS THROUGH GRANTOR PROGRAM/CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASSED THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE				
PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1415-11-5371/G-1617-11-5525		\$ 150,920
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
PASSED THROUGH THE OHIO DEVELOPMENT SERVICES AGENCY				
OFFICE OF HOUSING AND COMMUNITY PARTNERSHIP				
FY 14 Formula Grant	14.228	B-F-14-1BF-1		75,000
FY 14 Chip CDBG Grant	14.228	B-C-14-1BF-1		130,275
FY 12 Water & Sewer (McClure)	14.228	B-W-12-1BF-1		691
FY 14 ED Petro	14.228	B-E-14-1BF-1		276,500
Community Development Block Grant Revolving Loans	14.228	N/A		414,132
Total CFDA # 14.228				<u>896,598</u>
FY 14 Chip Home	14.239	B-C-14-1BF-2		218,826
Home Housing Loans	14.239	N/A		32
Total CFDA #14.239				<u>218,858</u>
Total U.S. Department of Housing and Urban Development				<u>1,115,456</u>
U.S. DEPARTMENT OF LABOR				
PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES				
VIA AREA 7 WORKFORCE INVESTMENT BOARD				
<i>Workforce Investment Act (WIA) Cluster:</i>				
WIA - Adult Program	17.258	2014-7135-1/2015-7135-1		63,230
WIA - Adult Program Administrative	17.258	2014-7135-1/2015-7135-1		1,675
Total Adult Program				<u>64,905</u>
WIA Youth Program	17.259	2014-7135-1/2015-7135-1	\$ 55,190	55,190
WIA Youth Program Administrative	17.259	2014-7135-1/2015-7135-1	1,037	1,037
Total Youth Program				<u>56,227</u>
WIA Dislocated Worker Program	17.278	2014-7135-1/2015-7135-1		60,982
WIA Dislocated Worker Program Administrative	17.278	2013-7135-1/2014-7135-1		810
Total Dislocated Worker Program				<u>61,792</u>
Total U.S. Department of Labor				<u>182,924</u>
U.S. DEPARTMENT OF TRANSPORTATION				
PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION				
Highway Planning and Construction - Pavement Marking Maintenance	20.205	98706		101,298
FY 2013-2014 HMEP Training	20.703	N/A		1,260
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	CRD-0035-005-131		10,719
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	OCPX-035-010-151		38,182
Total Enhanced Mobility				<u>48,901</u>
Total U.S. Department of Transportation				<u>151,459</u>

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**HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR PROGRAM/CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASSED THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF EDUCATION				
PASSED THROUGH THE OHIO DEPARTMENT OF HEALTH				
Special Education - Grants for Infants and Families (Help Me Grow)	84.181	03510031HG0116		20,058
Special Education - Grants for Infants and Families (Help Me Grow)	84.181	03510021HG0415		35,057
Total Special Education - Grants for Infants and Families (Help Me Grow)				55,115
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES				
<i>Promoting Safe and Stable Families Cluster:</i>				
Caseworker Visits	93.556	G-1415-11-5371/G-1617-11-5525		1,266
Caseworker Visits Administration	93.556	G-1415-11-5371/G-1617-11-5525		234
ESSA Preservation	93.556	G-1415-11-5371/G-1617-11-5525		8,467
ESSA Preservation Operating	93.556	G-1415-11-5371/G-1617-11-5525		2,565
ESSA Reunification	93.556	G-1415-11-5371/G-1617-11-5525		9,086
ESSA Reunification Operating	93.556	G-1415-11-5371/G-1617-11-5525		2,266
Total Promoting Safe and Stable Families				23,884
Temporary Assistance for Needy Families (TANF)	93.558	G-1415-11-5371/G-1617-11-5525		516,552
Child Support Enforcement	93.563	N/A		305,647
Child Care and Development Block Grant	93.575	G-1415-11-5371/G-1617-11-5525		10,072
Child Abuse & Neglect	93.590	G-1415-11-5371/G-1617-11-5525		1,919
<i>Stephanie Tubbs Jones Child Welfare Services Program:</i>				
Child Welfare Services-Title IV-B	93.645	G-1415-11-5371/G-1617-11-5525		36,557
Child Welfare Services-Title IV-B Admin	93.645	G-1415-11-5371/G-1617-11-5525		1,710
Total Stephanie Tubbs Jones Child Welfare Services Program				38,267
<i>Foster Care-Title IV-E:</i>				
Title IV-E Foster Care Services	93.658	G-1415-11-5371/G-1617-11-5525		364,979
IV-E Administration & Training - Foster Care	93.658	G-1415-11-5371/G-1617-11-5525		28,875
Title IV- Contracts - Foster Care	93.658	G-1415-11-5371/G-1617-11-5525		11,054
Total Foster Care-Title IV-E				404,908
<i>Adoption Assistance:</i>				
IV-E Administration & Training	93.659	G-1415-11-5371/G-1617-11-5525		25,259
Non-Recurring Adoption	93.659	G-1415-11-5371/G-1617-11-5525		1,000
Title IV-E Contracts - Adoption Assistance	93.659	G-1415-11-5371/G-1617-11-5525		1,347
Total Adoption Assistance				27,606
Social Services Block Grant	93.667	G-1415-11-5371/G-1617-11-5525		248,523
Federal Chafee Foster Care Independence Program	93.674	G-1415-11-5371/G-1617-11-5525		7,813
Children's Health Insurance Program	93.767	G-1415-11-5371/G-1617-11-5525		471
Total Passed Through the Ohio Department of Job and Family Services				1,585,662
PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES				
Social Services Block Grant (Title XX)	93.667	N/A		34,000

--(continued)

HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL GRANTOR/ PASS THROUGH GRANTOR PROGRAM/CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASSED THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL DISBURSEMENTS
<u>PASSED THROUGH THE OHIO DEPARTMENT OF MEDICAID</u>				
Medical Assistance Program - ODJFS	93.778	G-1415-11-5371/G-1617-11-5525		294,810
Medical Assistance Program - ODODD	93.778	N/A		82,543
Total Passed Through the Ohio Department of Medicaid				377,353
Total All Social Services Block Grant - CFDA #93.667				282,523
Total All Medical Assistance Programs - CFDA #93.778				377,353
<u>PASSED THROUGH THE AREA OFFICE OF AGING OF NORTHWESTERN OHIO, INC.</u>				
<i>Aging Cluster:</i>				
Special Programs for the Aging - Title III Part B - Grants for Supportive Services and Senior Centers	93.044	N/A		35,861
Nutrition Services Incentive Program (NSIP)	93.053	N/A		12,348
Title III Part C - Nutrition Services	93.045	N/A		46,795
Total Aging Cluster				95,004
Total U.S. Department of Health and Human Services				2,092,019
<u>U.S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE OHIO DEPARTMENT OF PUBLIC SAFETY</u>				
<i>Emergency Management Performance Grants:</i>				
Emergency Management Performance Grants - FY 2014 EMPG	97.042	EMW-2014-EP-00064		26,529
Emergency Management Performance Grants - FY 2014 Supplemental	97.042	N/A		16,138
Emergency Management Performance Grants - FY 2015 EMPG	97.042	EMW-2015-EP-00064		34,328
Total Emergency Performance & Special Project Equipment Grants				76,995
<i>Homeland Security Grant Program Cluster:</i>				
FY 13 State Homeland Security Program - SHSP	97.067	EMW-2013-SS-00120		11,489
FY 14 State Homeland Security Program - SHSP	97.067	EMW-2014-SS-00101		40,193
FY 14 State Homeland Security Program - SHSP	97.067	EMW-2014-SS-00101		37,693
FY 14 State Homeland Security Program - SHSP	97.067	EMW-2014-SS-00101		124,505
Total Homeland Security Grant Program				213,880
Total U.S. Department of Homeland Security				290,875
Total Expenditures of Federal Awards				\$ 4,038,768

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

HENRY COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR 200.510(b)(6) FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Henry County (the County) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The County passes certain federal awards received from the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As Note B describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

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

NOTE D - REVOLVING LOAN PROGRAMS WITHOUT CONTINUING COMPLIANCE REQUIREMENTS

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

These loans are collateralized by mortgages on the property or Uniform Commercial Filings (UCC) that collateralize machinery and equipment.

NOTE E - MATCHING REQUIREMENTS

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

HENRY COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURE SCHEDULE
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE F - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2015, the County made allowable transfers of \$148,692 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$516,552 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2015 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$ 665,244
Transfer to Social Services Block Grant	<u>(148,692)</u>
Total Temporary Assistance for Needy Families	<u>\$ 516,552</u>

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Dave Yost • Auditor of State

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

Henry County
660 North Perry Street
P.O. Box 546
Napoleon, Ohio 43545-0546

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Henry County, Ohio (the County) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 29, 2016, wherein we noted the County adopted new accounting guidance in Governmental Accounting Standards Board Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27 and Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

Compliance and Other Matters

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

Entity's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 29, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Henry County
660 North Perry Street
P.O. Box 546
Napoleon, Ohio 43545-0546

To the Board of Commissioners:

Report on Compliance for the Major Federal Program

We have audited Henry County, Ohio's (the County), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Henry County's major federal program for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for the County's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County's major program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on the Major Federal Program

In our opinion, Henry County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2015-003. Our opinion on the major federal program is not modified with respect to these matters.

The County's response to our noncompliance finding is described in the accompanying corrective action plan. We did not audit the County's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2015-003.

The County's response to our internal control over compliance finding is described in the accompanying corrective action plan. We did not audit the County's response and, accordingly, we express no opinion on it.

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

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

Dave Yost
Auditor of State

Columbus, Ohio

September 29, 2016

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HENRY COUNTY
SCHEDULE OF FINDINGS
 2 CFR § 200.515
 DECEMBER 31, 2015

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant – CFDA #14.228
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

FINDING NUMBER 2015-001

Material Weakness - Financial Reporting

Accurate financial reporting is the responsibility of the County Auditor and is essential to ensure the information provided to the readers of the financial statements is correct.

Contributions of \$119,378 from senior citizens for meals served at the County's Senior Center or meals delivered were reported as Intergovernmental revenues rather than Contributions and Donation in the Senior Center fund.

As a result of this error, the County's financial statements did not correctly reflect the financial activity of the County for the fiscal year. Adjustments to the financial statements were made to correct the error.

The error was not identified and corrected prior to the audit due to deficiencies in the County's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the County Auditor and Commissioners and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the County's financial statements are complete and accurate, we recommend the County Auditor and Commissioners adopt policies and procedures, including a final review of the statements, to identify and correct errors and omissions.

Officials' Response:

See corrective action plan.

FINDING NUMBER 2015-002

Material Weakness – GASB 34 Budgetary Comparison Schedules

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, provides that the budgetary comparison schedule should present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the government's budgetary basis.

The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

The client reported actual cash receipts as the final budgeted revenues for the General and all major Special Revenue funds on the Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis). The following errors were identified.

Fund	Final Budgeted Revenues and Other Financing Sources		
	Reported	Approved	Variance
General	\$ 9,034,310	\$ 9,194,189	\$ (159,879)
Country View Haven	1,631,371	1,858,531	(227,160)
Motor Vehicle and Gas Tax	4,512,922	4,992,608	(479,686)
County Board of DD	5,709,551	6,136,160	(426,609)
Senior Center	695,486	1,089,633	(394,147)

The client reported actual cash expenditures as the final budgeted expenditures for the General and all major Special Revenue funds on the Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis). The following errors were identified.

Fund	Final Budgeted Expenditures and Other Financing Uses		
	Reported	Approved	Variance
General	\$ 8,561,990	\$ 9,182,359	\$ (620,369)
Country View Haven	1,667,838	1,821,681	(153,843)
Motor Vehicle and Gas Tax	5,415,950	5,850,157	(434,207)
County Board of DD	5,349,746	6,236,860	(887,114)
Senior Center	790,611	839,350	(48,739)

As a result of these errors, the County's financial statements did not correctly reflect the budgetary financial activity of the County's General and major Special Revenue funds for the fiscal year. Adjustments to the financial statements were made to correct these errors.

These errors were not identified and corrected prior to the audit due to deficiencies in the County's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the County Auditor and Commissioners and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the County's financial statements are complete and accurate, we recommend the County Auditor and Commissioners adopt policies and procedures, including a final review of the statements, to identify and correct errors and omissions.

Officials' Response:

See corrective action plan.

3. FINDINGS FOR FEDERAL AWARDS

Schedule of Expenditures of Federal Awards

Finding Number	2015-003		
CFDA Title and Number	Community Development Block Grants 14.228		
Federal Award Identification Number / Year	N/A		
Federal Agency	U.S. Department of Housing and Urban Development		
Pass-Through Entity	Ohio Development Services Agency		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

Noncompliance / Material Weakness

2 CFR 200.510 Financial Statements provides the following:

(b) *Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

The County did prepare its Schedule of Expenditures of Federal Awards (the Schedule). However, the following material errors were noted with a major program:

- State grant expenditures of \$74,285 were improperly included as Community Development Block Grant (CDBG) expenditures in the Schedule.
- CDBG Revolving Loan expenditures of \$414,132 were not included in the Schedule.

We also noted similar errors in non-major programs. These errors consisted of five programs with \$116,151 of expenditures improperly included in the Schedule and four different programs with \$122,391 of expenditures not being included in the Schedule.

These errors were not identified and corrected prior to the audit due to deficiencies in the County's internal controls over federal schedule reporting. Sound financial reporting is the responsibility of the County Auditor and Commissioners and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

Inaccurate completion of the Schedule could lead to inaccurate reporting of federal expenditures by the County. Adjustments were made to the County's Schedule as noted above.

The County Auditor should be knowledgeable of the federal programs, and the requirements should be understood. We recommend the County Auditor implement policies and procedures, including a final review of the Schedule, to ensure it is accurately completed.

Officials' Response:

See corrective action plan.

HENRY COUNTY

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	The County hires an independent public accounting firm to assist in the preparation of the financial statements and federal schedule. The County also implemented a new financial accounting software system during fiscal year 2015. The County will be working with the consultants to ensure that the reporting deficiencies are corrected going forward and will implement an additional level of review to strengthen our internal controls on financial reporting to ensure that final approved budgeted revenues and expenditures will be accurately identified and reported.	FY2016	Kevin Garringer, County Auditor
2015-002	The County hires an independent public accounting firm to assist in the preparation of the financial statements and federal schedule. The County also implemented a new financial accounting software system during fiscal year 2015. The County will be working with the consultants to ensure that the reporting deficiencies are corrected going forward and will implement an additional level of review to strengthen our internal controls on financial reporting to ensure that revenues will be accurately identified and reported.	FY2016	Kevin Garringer, County Auditor
2015-003	The County hires an independent public accounting firm to assist in the preparation of the financial statements and federal schedule. The County also implemented a new financial accounting software system during fiscal year 2015. The County will be working with the consultants to ensure that the reporting deficiencies are corrected going forward and will implement an additional level of review to strengthen our internal controls on financial reporting to ensure that federal funds will be accurately identified and reported.	FY2016	Kevin Garringer, County Auditor

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Dave Yost • Auditor of State

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 18, 2016