



**HENRY TOWNSHIP
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

**HENRY TOWNSHIP
WOOD COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Henry Township
Wood County
421 N. Main Street
North Baltimore, Ohio 45872-1138

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Henry Township, Wood County, Ohio (the Township), as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Henry Township, Wood County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, Fire District, and Road District Funds, thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008, on our consideration of the Township'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 12, 2008

**HENRY TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of Henry Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

- Net assets of governmental activities remained constant with an increase of only \$583, less than 1 percent. Activities for the year remained at about the same levels as 2005.
- The Township's general receipts are primarily property taxes. These receipts represent 51 percent of the total cash received for governmental activities during the year. Property tax receipts for 2006 increased slightly, \$5,000, as compared to 2005 mainly due to a small valuation increase.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**HENRY TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue source property taxes.

The statement of net assets and the statement of activities show governmental activities. Most of the Township's basic services are reported here, including police, fire, streets and parks. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are governmental.

Governmental Funds - The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds include the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire District Fund, and the Road District Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**HENRY TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Assets		
Cash and Cash Equivalents	\$125,845	\$125,262
Total Assets	<u>\$125,845</u>	<u>\$125,262</u>
 Net Assets		
Restricted for:		
Other Purposes	120,055	69,103
Unrestricted	5,790	56,159
Total Net Assets	<u>\$125,845</u>	<u>\$125,262</u>

- As mentioned previously, net assets of governmental activities increased \$583 or less than 1 percent during 2006.

**HENRY TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in 2006. A comparative analysis of government-wide data with 2005 is presented.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$9,181	\$9,481
Operating Grants and Contributions	112,748	101,267
Total Program Receipts	121,929	110,748
General Receipts:		
Property and Other Local Taxes	160,896	155,897
Grants and Entitlements Not Restricted to Specific Programs	30,310	68,094
Interest	310	447
Miscellaneous	1,378	1,180
Total General Receipts	192,894	225,618
Total Receipts	314,823	336,366
Disbursements:		
General Government	115,697	97,693
Public Safety	19,710	20,555
Public Works	178,833	147,273
Capital Outlay	4,760	4,760
Total Disbursements	314,240	270,281
Increase in Net Assets	583	66,085
Net Assets, January 1,	125,262	59,177
Net Assets, December 31,	\$125,845	\$125,262

Program receipts represent 39 percent of total receipts for 2006 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees. This figure is up slightly due to the increase in gasoline tax in 2006 which is a program receipt.

General receipts represent 61 percent of the Township's total receipts, and of this amount, over 83 percent are local taxes. State grants and entitlements make up the balance of the Township's general receipts (17 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the trustees and the fiscal officer, as well as internal services such as payroll and purchasing and benefits for the road workers. Since these costs do not represent direct services to residents, we try to limit these costs as much as possible.

**HENRY TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Public Safety is the cost of fire protection and Public Works is the cost of maintaining the roads

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Works and General Government, which account for 57 and 37 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$115,697	\$115,697	\$97,693	\$97,693
Public Safety	19,710	18,165	20,555	18,405
Public Works	178,833	58,449	147,273	38,675
Capital Outlay			4,760	4,760
Total Expenses	\$314,240	\$192,311	\$270,281	\$159,533

The dependence upon property tax receipts is apparent as over 61 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts and other financing sources of \$335,236 and disbursements and other financing uses of \$334,653.

General Fund Budgeting Highlights

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

During 2006, the Township did amend its budget. Final budgeted receipts exceeded actual receipts by over \$46,000. This variance was due to the expectation of the Township receiving significant estate tax monies and that did not occur in 2006.

**HENRY TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Final disbursements and other financing uses in the General Fund were budgeted at \$ 141,273 while actual disbursements and other financing uses were \$136,128. Actual receipts were in some funds greater and in some funds less than final budgeted receipts. The Township kept spending under budgeted amounts as demonstrated by the reported variances. The result of General Fund operations was a decrease in fund balance of \$51,014 for 2006.

Capital Assets

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure although an inventory is prepared as required for the Wood County Engineer.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. However, here in Henry Township we are now able to do more road repair and maintenance thanks to the passage of the additional 1 mill road levy and the increase in the state gasoline tax. Road repair and maintenance will continue to be the major focus of Henry Township and we expect to maintain the current balances through 2007.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Anthony T. Swartz, Clerk, Henry Township, 421 N. Main St., North Baltimore, Ohio 45872-1138.

**HENRY TOWNSHIP
WOOD COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2006*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$125,845</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$120,055
Unrestricted	<u>5,790</u>
<i>Total Net Assets</i>	<u><u>\$125,845</u></u>

See accompanying notes to the basic financial statements

**HENRY TOWNSHIP
WOOD COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2006*

		Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
			Governmental Activities
Governmental Activities			
General Government	\$115,697		(\$115,697)
Public Safety	19,710	\$1,545	(18,165)
Public Works	178,833	7,636	(58,449)
	<u>314,240</u>	<u>9,181</u>	<u>112,748</u>
<i>Total Governmental Activities</i>	<u>\$314,240</u>	<u>\$9,181</u>	<u>\$112,748</u>
General Receipts			
Property Taxes Levied for:			
General Purposes			62,817
Road and Bridges			36,996
Fire District			20,816
Road District			40,267
Grants and Entitlements not Restricted to Specific Programs			30,310
Interest			310
Miscellaneous			1,378
			<u>192,894</u>
<i>Total General Receipts</i>			192,894
Change in Net Assets			583
<i>Net Assets Beginning of Year</i>			<u>125,262</u>
<i>Net Assets End of Year</i>			<u>\$125,845</u>

See accompanying notes to the basic financial statements

**HENRY TOWNSHIP
WOOD COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006*

	General	Gasoline Tax	Road And Bridge	Fire District	Road District	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	<u>\$5,790</u>	<u>\$64,253</u>	<u>\$20,627</u>	<u>\$21,092</u>	<u>\$4,129</u>	<u>\$9,954</u>	<u>\$125,845</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$645		\$516			\$1,475	\$2,636
Unreserved:							
General Fund	5,145						5,145
Special Revenue Funds		64,253	20,111	21,092	4,129	8,479	118,064
<i>Total Fund Balances</i>	<u>\$5,790</u>	<u>\$64,253</u>	<u>\$20,627</u>	<u>\$21,092</u>	<u>\$4,129</u>	<u>\$9,954</u>	<u>\$125,845</u>

See accompanying notes to the basic financial statements

**HENRY TOWNSHIP
WOOD COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

	General	Gasoline Tax	Road and Bridge
Receipts			
Property and Other Local Taxes	\$62,817		\$36,996
Licenses, Permits and Fees	1,545		
Intergovernmental	18,801	\$86,201	4,313
Interest	310	212	
Other	1,378		
	<u>84,851</u>	<u>86,413</u>	<u>41,309</u>
Disbursements			
Current:			
General Government	114,892		
Public Safety			
Public Works	441	66,511	26,674
	<u>115,333</u>	<u>66,511</u>	<u>26,674</u>
<i>Total Disbursements</i>			
	<u>115,333</u>	<u>66,511</u>	<u>26,674</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(30,482)</u>	<u>19,902</u>	<u>14,635</u>
Other Financing Sources (Uses)			
Transfers In		20,000	
Transfers Out	(20,150)		
Advances In	263		
Advances Out			
	<u>(19,887)</u>	<u>20,000</u>	<u></u>
<i>Total Other Financing Sources (Uses)</i>			
	<u>(19,887)</u>	<u>20,000</u>	<u></u>
<i>Net Change in Fund Balances</i>	(50,369)	39,902	14,635
<i>Fund Balances Beginning of Year</i>	<u>56,159</u>	<u>24,351</u>	<u>5,992</u>
<i>Fund Balances End of Year</i>	<u>\$5,790</u>	<u>\$64,253</u>	<u>\$20,627</u>

See accompanying notes to the basic financial statements

<u>Fire District</u>	<u>Road District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$20,816	\$40,267	\$7,636	\$168,532
			1,545
2,522	4,674	26,288	142,799
		47	569
			1,378
<u>23,338</u>	<u>44,941</u>	<u>33,971</u>	<u>314,823</u>
	805		115,697
19,710			19,710
	<u>52,852</u>	<u>32,355</u>	<u>178,833</u>
<u>19,710</u>	<u>53,657</u>	<u>32,355</u>	<u>314,240</u>
<u>3,628</u>	<u>(8,716)</u>	<u>1,616</u>	<u>583</u>
		150	20,150
			(20,150)
			263
		<u>(263)</u>	<u>(263)</u>
		<u>(113)</u>	
3,628	(8,716)	1,503	583
<u>17,464</u>	<u>12,845</u>	<u>8,451</u>	<u>125,262</u>
<u>\$21,092</u>	<u>\$4,129</u>	<u>\$9,954</u>	<u>\$125,845</u>

**HENRY TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$62,817	\$62,817	\$62,817	
Licenses, Permits and Fees	2,000	2,000	1,545	(\$455)
Intergovernmental	65,181	65,181	18,801	(46,380)
Interest	375	375	310	(65)
Other	1,100	1,100	1,378	278
<i>Total Receipts</i>	<u>131,473</u>	<u>131,473</u>	<u>84,851</u>	<u>(46,622)</u>
Disbursements				
Current:				
General Government	115,272	119,823	115,537	4,286
Public Works	500	500	441	59
<i>Total Disbursements</i>	<u>115,772</u>	<u>120,323</u>	<u>115,978</u>	<u>4,345</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>15,701</u>	<u>11,150</u>	<u>(31,127)</u>	<u>(42,277)</u>
Other Financing Sources (Uses)				
Transfers Out	(32,771)	(20,150)	(20,150)	
Advances In			263	263
Other Financing Uses	(39,352)	(800)		800
<i>Total Other Financing (Uses)</i>	<u>(72,123)</u>	<u>(20,950)</u>	<u>(19,887)</u>	<u>1,063</u>
<i>Net Change in Fund Balance</i>	(56,422)	(9,800)	(51,014)	(41,214)
<i>Fund Balance Beginning of Year</i>	<u>56,053</u>	<u>56,053</u>	<u>56,053</u>	
Prior Year Encumbrances Appropriated	106	106	106	
<i>Fund Balance End of Year</i>	<u>(\$263)</u>	<u>\$46,359</u>	<u>\$5,145</u>	<u>(\$41,214)</u>

See accompanying notes to the basic financial statements

**HENRY TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$84,915	\$84,915	\$86,201	\$1,286
Interest	85	85	212	127
<i>Total Receipts</i>	<u>85,000</u>	<u>85,000</u>	<u>86,413</u>	<u>1,413</u>
Disbursements				
Current:				
Public Works	91,330	91,330	66,511	24,819
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,330)</u>	<u>(6,330)</u>	<u>19,902</u>	<u>26,232</u>
Other Financing Sources				
Transfers In	20,000	20,000	20,000	
<i>Net Change in Fund Balance</i>	13,670	13,670	39,902	26,232
<i>Fund Balance Beginning of Year</i>	<u>24,351</u>	<u>24,351</u>	<u>24,351</u>	
<i>Fund Balance End of Year</i>	<u><u>\$38,021</u></u>	<u><u>\$38,021</u></u>	<u><u>\$64,253</u></u>	<u><u>\$26,232</u></u>

See accompanying notes to the basic financial statements

**HENRY TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$36,996	\$36,996	\$36,996	
Intergovernmental	648	648	4,313	\$3,665
<i>Total Receipts</i>	<u>37,644</u>	<u>37,644</u>	<u>41,309</u>	<u>3,665</u>
Disbursements				
Current:				
Public Works	<u>43,636</u>	<u>43,636</u>	<u>27,190</u>	<u>16,446</u>
<i>Net Change in Fund Balance</i>	(5,992)	(5,992)	14,119	20,111
<i>Fund Balance Beginning of Year</i>	<u>\$5,992</u>	<u>\$5,992</u>	<u>5,992</u>	
<i>Fund Balance End of Year</i>	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$20,111</u></u>	<u><u>\$20,111</u></u>

See accompanying notes to the basic financial statements

**HENRY TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire District Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$20,816	\$20,816	\$20,816	
Intergovernmental	509	509	2,522	\$2,013
<i>Total Receipts</i>	<u>21,325</u>	<u>21,325</u>	<u>23,338</u>	<u>2,013</u>
Disbursements				
Current:				
Public Safety	<u>38,789</u>	<u>38,789</u>	<u>19,710</u>	<u>19,079</u>
<i>Net Change in Fund Balance</i>	(17,464)	(17,464)	3,628	21,092
<i>Fund Balance Beginning of Year</i>	<u>\$17,464</u>	<u>\$17,464</u>	<u>17,464</u>	
<i>Fund Balance End of Year</i>	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$21,092</u></u>	<u><u>\$21,092</u></u>

See accompanying notes to the basic financial statements

**HENRY TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road District Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$40,268	\$40,268	\$40,267	(\$1)
Intergovernmental	631	631	4,674	4,043
<i>Total Receipts</i>	<u>40,899</u>	<u>40,899</u>	<u>44,941</u>	<u>4,042</u>
Disbursements				
Current:				
General Government	805	805	805	
Public Works	52,938	52,938	52,852	86
<i>Total Disbursements</i>	<u>53,743</u>	<u>53,743</u>	<u>53,657</u>	<u>86</u>
<i>Net Change in Fund Balance</i>	(12,844)	(12,844)	(8,716)	(4,128)
<i>Fund Balance Beginning of Year</i>	<u>9,963</u>	<u>9,963</u>	<u>9,963</u>	
Prior Year Encumbrances Appropriated	<u>2,882</u>	<u>2,882</u>	<u>2,882</u>	
<i>Fund Balance End of Year</i>	<u><u>\$1</u></u>	<u><u>\$1</u></u>	<u><u>\$4,129</u></u>	<u><u>(\$4,128)</u></u>

See accompanying notes to the basic financial statements

**HENRY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 – REPORTING ENTITY

Henry Township, Wood County, Ohio, (the Township), is a body politic and corporate established December 3, 1836 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Village of North Baltimore for fire protection. Police protection is provided by the Wood County Sheriffs' Department.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township does not have any business type activities.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity is self-financing on a cash basis or draws from the Township's general receipts.

**HENRY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire District Fund and Road District Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads. The Road and Bridge Fund receive property tax money to pay for constructing, maintaining and repairing Township Roads. The Fire District Fund receives property tax money for the provision of fire protection services to the Township residents. The Road District Fund receives property tax money to pay for constructing, maintaining and repairing Township roads.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**HENRY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the estimated receipts and year end balances, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The estimated receipts and yearend balances report demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Equity in Pooled Cash

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalent".

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$ 310 which includes \$124 assigned from the Road and Bridge Fund, \$126 assigned from the Fire District Fund and \$25 assigned from the Road District Fund.

F. Capital Assets

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

**HENRY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

H. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

J. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire District Fund and the Road District Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$645 for the General Fund and \$516 for the Road and Bridge Fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

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

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

**HENRY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$31,374 of the Township's bank balance of \$131,374 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**HENRY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 5 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2004, was \$7.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$ 8,890,290
Agriculture	3,720,350
Commercial/Industrial/Mineral	1,337,440
Public Utility Property	
Real	32,530
Personal	1,846,480
Tangible Personal Property	803,610
Total Assessed Value	<u>\$ 16,630,700</u>

NOTE 6 – RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**HENRY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 6 – RISK MANAGEMENT – (CONTINUED)

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTAMRA provides property and casualty coverage for its members. OTAMRA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTAMRA. OTAMRA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**HENRY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 6 – RISK MANAGEMENT – (CONTINUED)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$18,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2004	\$8,563
2005	\$9,298
2006	\$8,830

**HENRY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 6 – RISK MANAGEMENT – (CONTINUED)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

The Township provides employee health insurance acquired from Medical Mutual Insurance Company through the Toledo Area Chamber of Commerce.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.70 percent, except for those plan members in law enforcement or public safety. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$9,265, \$9,472, and \$9,135 respectively. The full amount has been contributed for 2006, 2005, and 2004. There were no contributions to the member-directed plan for 2006.

**HENRY TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$4,532. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits as of December 31, 2006, were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

NOTE 9 – RELATED PARTY TRANSACTIONS

One of the Trustees' sons owns a business, Casey's Sales and Service and the Township paid them \$3,919 in 2006.



Mary Taylor, CPA

Auditor of State

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

Henry Township
Wood County
421 N. Main Street
North Baltimore, Ohio 45872-1138

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Henry Township, Wood County (the Township) as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 12, 2008, in which we disclosed the Township prepares its financial statements on the cash basis of accounting. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

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

We also noted certain matters that we reported to the Township's management in a separate letter dated September 12, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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, providing an opinion 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*.

We noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated September 12, 2008.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 12, 2008

**HENRY TOWNSHIP
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

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

FINDING NUMBER 2006-001

Material Weakness - Monitoring Controls by the Board and Financial Reporting

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustee and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Fiscal Officer performed most accounting functions. It is therefore important the Board monitor financial activity closely.

- Budgeted receipts posted to the Township's accounting system did not always agree to the amended certificates of estimated resources. Thirteen adjustments ranging from \$65 to \$46,380 were made to reflect the correct amounts on the budgetary statements.
- The Township paid late fees, penalties, interest, and lost discounts totaling \$914.

These weaknesses allowed posting errors to occur and go undetected, and improper payments to be made. In addition, inaccurate budgetary information could hinder the Board's ability to monitor the Township's financial condition when reviewing budgetary reports.

To strengthen the monitoring over the Township's financial condition and ensure the financial statements are complete and accurate we recommend, the Township adopt policies and procedures, including obtaining explanations of any outstanding balances or late fees before payment is authorized and reviewing the financial records and a final reviewing of the statements by the Fiscal Officer and Board.

Officials' Response: We did not receive a response from Officials to the above finding.

**HENRY TOWNSHIP
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Finding for Recovery, improper pick-up of OPERS and Medicare	Yes	
2005-002	Revised Code § 5705.41(D), expenditures not properly certified.	Yes	
2005-003	Revised Code §5705.41(B), Expenditures exceeding appropriations	Yes	



Mary Taylor, CPA
Auditor of State

HENRY TOWNSHIP

WOOD 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 16, 2008**