

HENRY COUNTY, OHIO

Basic Financial Statements

Year Ended December 31, 2017

With Independent Auditors' Report



Dave Yost • Auditor of State

Board of Commissioners
Henry County
660 N. Perry Street
PO Box 546
Napoleon, Ohio 43545

We have reviewed the *Independent Auditor's Report* of Henry County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 31, 2018

This page intentionally left blank.

TABLE OF CONTENTS

Independent Auditors' Report.....	1 - 2
Management's Discussion and Analysis	4 - 20
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	21
Statement of Activities	22 - 23
Fund Financial Statements	
Balance Sheet – Governmental Funds	24 - 26
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	27 - 29
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Basis) – General Fund	30
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Basis) – Country View Haven	31
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Basis) – Public Assistance	32
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Basis) – Motor Vehicle and Gas Tax	33
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Basis) – County Board of DD	34
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Basis) – Senior Center	35
Statement of Net Position – Proprietary Funds	36
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	37
Statement of Cash Flows – Proprietary Funds	38
Statement of Fiduciary Assets and Liabilities – Agency Funds	39
Notes to Basic Financial Statements	40 - 82
Required Supplementary Information:	
Schedule of the County's Proportionate Share of the Net Pension Liability/Asset	83
Schedule of County Contributions	84 - 85
Notes to the Required Supplementary Information	86
Schedule of Expenditures of Federal Awards	87 - 89
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	90 - 91
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	92 - 93
Schedule of Findings and Questioned Costs	94
Schedule of Prior Audit Findings	95

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

Henry County Board of Commissioners
Napoleon, Ohio:

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, 2017, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Country View Haven, Public Assistance, Motor Vehicle and Gas Tax, County Board of DD and the Senior Center funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 29, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (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, 2017. 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 2017 are as follows:

- The total net position of the County increased \$2,479,755. Net position of governmental activities increased \$2,768,323 from the 2016 net position. Net position of business-type activities decreased \$288,568, which represents an 39.40% decrease from the 2016 net position.
- General revenues accounted for \$14,593,529 or 46.49% of total governmental activities revenue. Program specific revenues accounted for \$16,799,546 or 53.51% of total governmental activities revenues.
- The County had \$28,624,752 in expenses related to governmental activities. \$16,799,546 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$14,593,529 were adequate to provide for these programs.
- The County's major governmental funds are the General fund, Country View Haven fund, Public Assistance fund, Motor Vehicle and Gas Tax fund, County Board of Developmentally Disabled (DD) fund, the Senior Center fund and the Senior Center Capital Projects fund. The General fund, the County's largest major fund, had revenues and other financing sources of \$10,013,957 in 2017, an increase of \$591,752 or 6.28% from 2016. The General fund had expenditures and other financing uses of \$9,452,964 in 2017, an increase of \$429,944 or 4.76% from 2016. The General fund balance increased \$560,993 or 7.73% from 2016 to 2017.
- The Country View Haven fund, a County major fund, had revenues of \$470,219 in 2017. The Country View Haven fund had expenditures of \$388,591 in 2017. The Country View Haven fund balance increased \$81,628 or 5.54% from 2016 to 2017.
- The Public Assistance fund, a County major fund, had revenues of \$1,868,164 in 2017. The Public Assistance fund had expenditures of \$1,967,633 in 2017. The Public Assistance fund balance decreased \$99,469 or 16.84% from 2016 to 2017.
- The Motor Vehicle and Gas Tax fund, a County major fund, had revenues of \$4,449,599 in 2017. The Motor Vehicle and Gas Tax fund had expenditures of \$3,031,889 in 2017. The Motor Vehicle and Gas Tax fund balance increased \$1,417,710 or 46.05% from 2016 to 2017.
- The County Board of DD fund, a County major fund, had revenues of \$5,872,384 in 2017. The County Board of DD fund had expenditures of \$4,209,111 in 2017. The County Board of DD fund balance increased \$1,663,273 or 53.41% from 2016 to 2017.
- The Senior Center fund, a County major fund, had revenues of \$686,898 in 2017. The Senior Center fund had expenditures of \$831,047 in 2017. The Senior Center fund decreased \$144,149 or 40.71% from 2016 to 2017.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

- The Senior Center Capital Projects fund, a County major fund, had revenues and other financing sources of \$3,863,660 in 2017. The Senior Center fund had expenditures of \$2,919,845 in 2017. The Senior Center Capital Projects fund increased \$943,815 or 219.44% from 2016 to 2017
- Net position for the business-type activities, which include the Sanitary Landfill, Tower, Hahn Center and Monroe Township landfill fees enterprise funds, decreased in 2017 by \$288,568 or 39.40%.

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 seven 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 2017?" 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.

The County's Statement of Net Position and Statement of Activities can be found on pages 19-21 of this report.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (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, the Public Assistance fund, Motor Vehicle and Gas Tax fund, the County Board of Developmentally Disabled (DD) fund, the Senior Center fund and the Senior Center Capital Projects fund. The analysis of the County's major governmental and proprietary funds begins on page 13.

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. The basic governmental financial statements can be found on pages 22-33 of this report.

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. The basic proprietary fund financial statements can be found on pages 34-36 of this report.

HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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. The basic fiduciary fund financial statement can be found on page 37 of this report.

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. These notes to the basic financial statements can be found on pages 38-80 of this report.

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. The required supplementary information can be found on pages 81-84 of this report.

THIS SPACE IS INTENTIONALLY LEFT BLANK

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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, 2017 and December 31, 2016.

	Net Position					
	Governmental Activities 2017	Business-type Activities 2017	Governmental Activities 2016	Business-type Activities 2016	2017 Total	2016 Total
Assets:						
Current and other assets	\$ 39,726,986	\$ 956,500	\$ 37,292,822	\$ 922,694	\$ 40,683,486	\$ 38,215,516
Capital assets, net	<u>40,192,152</u>	<u>762,374</u>	<u>37,942,302</u>	<u>809,054</u>	<u>40,954,526</u>	<u>38,751,356</u>
Total assets	<u>79,919,138</u>	<u>1,718,874</u>	<u>75,235,124</u>	<u>1,731,748</u>	<u>81,638,012</u>	<u>76,966,872</u>
Deferred outflows:	<u>6,207,540</u>	<u>91,019</u>	<u>5,077,215</u>	<u>69,232</u>	<u>6,298,559</u>	<u>5,146,447</u>
Liabilities:						
Long-term liabilities outstanding	19,273,512	2,816,165	14,739,811	2,517,058	22,089,677	17,256,869
Other liabilities	<u>834,612</u>	<u>12,176</u>	<u>1,500,431</u>	<u>10,926</u>	<u>846,788</u>	<u>1,511,357</u>
Total liabilities	<u>20,108,124</u>	<u>2,828,341</u>	<u>16,240,242</u>	<u>2,527,984</u>	<u>22,936,465</u>	<u>18,768,226</u>
Deferred inflows:	<u>6,621,480</u>	<u>2,583</u>	<u>7,443,346</u>	<u>5,459</u>	<u>6,624,063</u>	<u>7,448,805</u>
Net position:						
Net investment in capital assets	38,405,691	762,374	37,889,799	809,054	39,168,065	38,698,853
Restricted	17,644,842	-	14,459,711	-	17,644,842	14,459,711
Unrestricted (deficit)	<u>3,346,541</u>	<u>(1,783,405)</u>	<u>4,279,241</u>	<u>(1,541,517)</u>	<u>1,563,136</u>	<u>2,737,724</u>
Total net position (deficit)	<u>\$ 59,397,074</u>	<u>\$ (1,021,031)</u>	<u>\$ 56,628,751</u>	<u>\$ (732,463)</u>	<u>\$ 58,376,043</u>	<u>\$ 55,896,288</u>

The County has 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, 2017 (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.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the County's assets and deferred outflows exceeded liabilities and deferred inflows by \$58,376,043. This amounts to \$59,397,074 in governmental activities and a deficit of \$1,021,031 in business-type activities.

HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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 50.12% of total governmental and business-type assets. Capital assets include land, construction in progress, buildings and improvements, machinery and equipment, vehicles and infrastructure. The net investments in capital assets at December 31, 2017, were \$39,168,065. 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. Capital assets are discussed further on page 17.

A portion of the County's governmental activities net position, \$17,644,842 or 30.22%, 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 balance of \$3,346,541.

THIS SPACE IS INTENTIONALLY LEFT BLANK

HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The table below shows the changes in net position for governmental and business-type activities for 2017 and 2016.

	Change in Net Position					
	Governmental	Business-type	Governmental	Business-type	2017	2016
	Activities	Activities	Activities	Activities	Total	Total
	2017	2017	2016	2016		
Revenues:						
Program revenues:						
Charges for services and sales	\$ 3,718,278	\$ 458,448	\$ 4,011,716	\$ 382,167	\$ 4,176,726	\$ 4,393,883
Operating grants and contributions	11,391,797	-	11,336,969	-	11,391,797	11,336,969
Capital grants and contributions	<u>1,689,471</u>	-	<u>563,257</u>	-	<u>1,689,471</u>	<u>563,257</u>
Total program revenues	<u>16,799,546</u>	<u>458,448</u>	<u>15,911,942</u>	<u>382,167</u>	<u>17,257,994</u>	<u>16,294,109</u>
General revenues:						
Property taxes	7,962,365	-	7,603,905	-	7,962,365	7,603,905
Sales tax	4,266,130	-	4,219,737	-	4,266,130	4,219,737
Unrestricted grants	1,562,993	-	1,473,876	-	1,562,993	1,473,876
Investment earnings	157,764	4,957	80,037	1,913	162,721	81,950
Miscellaneous	<u>644,277</u>	-	<u>490,401</u>	-	<u>644,277</u>	<u>490,401</u>
Total general revenues	<u>14,593,529</u>	<u>4,957</u>	<u>13,867,956</u>	<u>1,913</u>	<u>14,598,486</u>	<u>13,869,869</u>
Total revenues	<u>31,393,075</u>	<u>463,405</u>	<u>29,779,898</u>	<u>384,080</u>	<u>31,856,480</u>	<u>30,163,978</u>
Expenses:						
Program expenses:						
General government	5,274,690	-	4,301,960	-	5,274,690	4,301,960
Public safety	4,211,729	-	3,700,640	-	4,211,729	3,700,640
Public works	5,153,363	-	4,802,030	-	5,153,363	4,802,030
Health	942,848	-	1,804,508	-	942,848	1,804,508
Human services	10,371,381	-	9,769,856	-	10,371,381	9,769,856
Economic development	1,335,656	-	1,307,119	-	1,335,656	1,307,119
Transportation	723,682	-	544,836	-	723,682	544,836
Intergovernmental	321,417	-	296,415	-	321,417	296,415
Other	277,323	-	522,490	-	277,323	522,490
Interest and fiscal charges	12,663	-	4,851	-	12,663	4,851
Sanitary landfill	-	671,084	-	345,547	671,084	345,547
Other business-type activities:						
Tower fund	-	35,451	-	15,993	35,451	15,993
Hahn Center	-	44,711	-	42,696	44,711	42,696
Monroe Township landfill fees	<u>-</u>	<u>727</u>	<u>-</u>	<u>789</u>	<u>727</u>	<u>789</u>
Total expenses	<u>28,624,752</u>	<u>751,973</u>	<u>27,054,705</u>	<u>405,025</u>	<u>29,376,725</u>	<u>27,459,730</u>
Change in net position	2,768,323	(288,568)	2,725,193	(20,945)	2,479,755	2,704,248
Net position (deficit) at beginning of year	<u>56,628,751</u>	<u>(732,463)</u>	<u>53,903,558</u>	<u>(711,518)</u>	<u>55,896,288</u>	<u>53,192,040</u>
Net position (deficit) at end of year	<u>\$ 59,397,074</u>	<u>\$ (1,021,031)</u>	<u>\$ 56,628,751</u>	<u>\$ (732,463)</u>	<u>\$ 58,376,043</u>	<u>\$ 55,896,288</u>

HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Governmental Activities

Governmental net position increased by \$2,768,323 in 2017 from 2016.

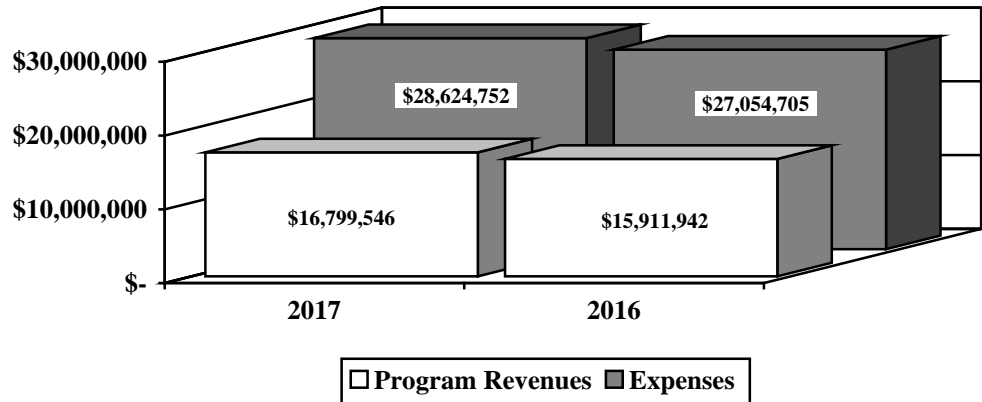
Human services, which supports the operations of the County Board of DD fund, Senior Center fund, and Public Assistance fund, accounts for \$10,371,381 of expenses, or 36.23% of total governmental expenses of the County. These expenses were funded by \$549,141 in charges to users of services, \$4,983,411 in operating grants and \$683,593 in capital grants and contributions 2017. General government expenses which includes legislative and executive and judicial programs, totaled \$5,274,690 or 18.43% of total governmental expenses. General government expenses were partially covered by \$1,965,781 of direct charges to users and \$27,901 in operating grants in 2017.

The State and federal government contributed to the County revenues of \$11,391,797 in operating grants and contributions and \$1,689,471 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$4,983,411, or 43.75%, subsidized human services programs.

General revenues totaled \$14,593,529 and amounted to 46.49% of total revenues. These revenues primarily consist of property and sales tax revenue of \$12,228,495 or 83.79% of total general revenues in 2017. The other primary source of general revenues is grants and entitlements not restricted to specific programs of \$1,562,993.

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 2017 and 2016. As can be seen in the graph below, the County is reliant upon general revenues to finance operations as program revenues are not sufficient to cover total expenses.

Governmental Activities – Program Revenues vs. Total Expenses



HENRY COUNTY, OHIO

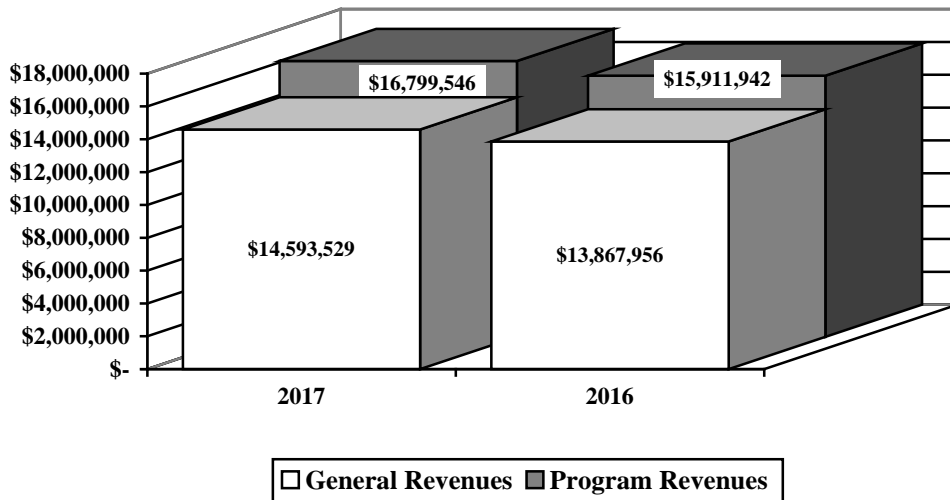
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The following table shows, for governmental activities, the total cost of services and the net cost of services for 2017 and 2016. 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 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program expenses:				
General government	\$ 5,274,690	\$ 3,281,008	\$ 4,301,960	\$ 2,268,570
Public safety	4,211,729	3,705,276	3,700,640	3,305,507
Public works	5,153,363	(521,103)	4,802,030	(563,317)
Health	942,848	615,956	1,804,508	1,235,291
Human services	10,371,381	4,155,236	9,769,856	4,196,100
Economic development and assistance	1,335,656	145,387	1,307,119	53,222
Transportation	723,682	(74,972)	544,836	(60,916)
Intergovernmental	321,417	321,417	296,415	296,415
Other	277,323	184,338	522,490	407,040
Interest and fiscal charges	12,663	12,663	4,851	4,851
Total	\$ 28,624,752	\$ 11,825,206	\$ 27,054,705	\$ 11,142,763

The dependence upon general revenues for governmental activities is apparent, with 41.31% and 41.19% of expenses supported through taxes and other general revenues during 2017 and 2016, respectively. The graph below illustrates the County's reliance upon general revenues.

Governmental Activities – General and Program Revenues



HENRY COUNTY, OHIO

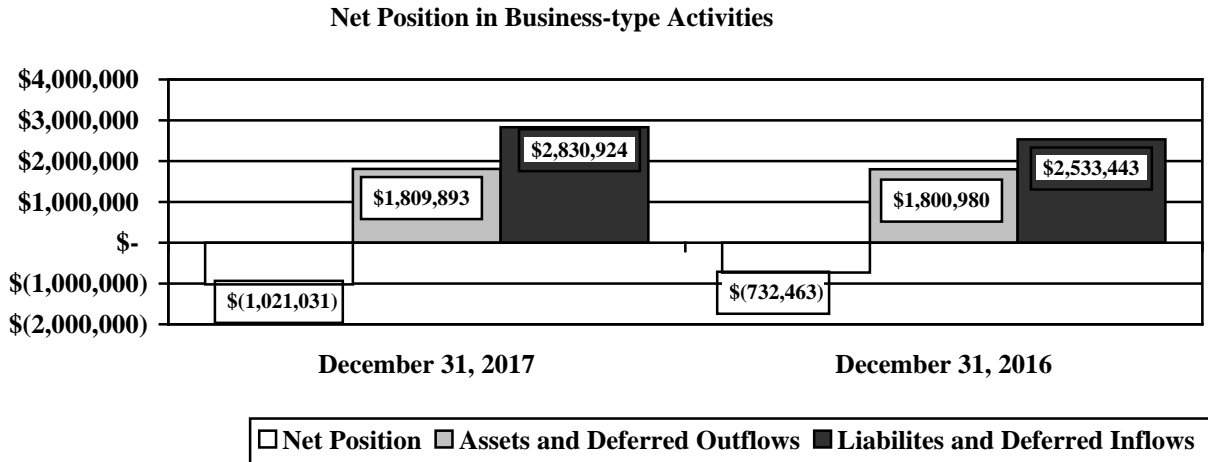
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

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 \$458,448, general revenues of \$4,957, and expenses of \$751,973 for 2017.

The business-type activities net position decreased \$288,568 or 39.40% during 2017.

The following graph illustrates the assets, deferred outflows, liabilities, deferred inflows and net position of the County's business-type activities at December 31, 2017 and December 31, 2016.



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 (as presented on the balance sheet on page 22-23) reported a combined fund balance of \$27,495,063, which is \$4,054,007 more than last year's total of \$23,441,056. The following schedule indicates the fund balance and the total change in fund balance as of December 31, 2017 and December 31, 2016 for all major and nonmajor governmental funds.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	<u>Fund Balance</u> <u>December 31, 2017</u>	<u>Fund Balance</u> <u>December 31, 2016</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 7,815,189	\$ 7,254,196	\$ 560,993
Country view haven fund	1,554,375	1,472,747	81,628
Public assistance fund	491,072	590,541	(99,469)
Motor vehicle and gas tax	4,496,528	3,078,818	1,417,710
County board of DD	4,777,697	3,114,424	1,663,273
Senior center fund	209,925	354,074	(144,149)
Senior center capital projects fund	513,707	(430,108)	943,815
Other nonmajor governmental funds	<u>7,636,570</u>	<u>8,006,364</u>	<u>(369,794)</u>
Total	<u>\$ 27,495,063</u>	<u>\$ 23,441,056</u>	<u>\$ 4,054,007</u>

General Fund

The General fund, the County's largest major fund, had revenues and other financing sources of \$10,013,957 in 2017, an increase of \$591,752 from 2016. The general fund had expenditures and other financing uses of \$9,452,964 in 2017, an increase of \$429,944 from 2016. The general fund balance increased \$560,993 from 2016 to 2017.

The table that follows assists in illustrating the revenues of the general fund during 2017 and 2016.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Taxes	\$ 6,518,019	\$ 6,365,466	2.40 %
Charges for services	1,131,089	1,217,227	(7.08) %
Licenses and permits	1,659	1,584	4.73 %
Fines and forfeitures	51,335	51,143	0.38 %
Intergovernmental	1,448,559	1,175,510	23.23 %
Investment income	156,977	76,600	104.93 %
Other	<u>672,045</u>	<u>519,675</u>	29.32 %
Total	<u>\$ 9,979,683</u>	<u>\$ 9,407,205</u>	6.09 %

The increase in intergovernmental revenue was due to amounts received for the medicaid transitional sales tax in 2017. The increase in investment income is due to investments performing well and an increase in the amount of investments in 2017. The increase in other revenue is due to a refund received from the Bureau of Workers Compensation for 2017.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

The table that follows assists in illustrating the expenditures of the general fund during 2017 and 2016.

	<u>2017</u>	<u>2016</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
Expenditures:			
Current:			
General government			
Legislative and executive	\$ 2,297,334	\$ 2,274,278	1.01 %
Judicial	1,348,909	1,319,856	2.20 %
Public safety	2,999,658	2,950,179	1.68 %
Public works	128,721	143,100	(10.05) %
Health	41,497	76,823	(45.98) %
Human services	274,776	281,195	(2.28) %
Economic development and assistance	120,859	155,837	(22.45) %
Intergovernmental	321,417	296,415	8.43 %
Other	179,271	393,110	(54.40) %
Total	<u>\$ 7,712,442</u>	<u>\$ 7,890,793</u>	(2.26) %

Expenditures have decreased 2.26% from 2016 for the County. The significant areas of change in expenditures are public works, health, economic development and other. The decrease in public works can be primarily attributed to a decrease in expenditures for capital improvements. The decrease in health can be primarily attributed to a decrease in expenditures for the Bureau for Children with Medical Handicaps. The decrease in economic development and assistance can be attributed to a decrease in expenditures for Henry County Planning Commission. The decrease in other expenditures was due to decreases in unanticipated emergencies. All other expenditures remained comparable to 2016.

Country View Haven Fund

The Country View Haven fund, a County major fund, had revenues of \$470,219 in 2017. The Country View Haven fund had expenditures of \$388,591 in 2017. The Country View Haven fund balance decreased \$81,628 or 5.54% from 2016 to 2017.

Public Assistance Fund

The Public Assistance fund, a County major fund, had revenues of \$1,868,164 in 2017. The Public Assistance fund had expenditures of \$1,967,633 in 2017. The Public Assistance fund balance decreased \$99,469 or 16.84% from 2016 to 2017. The decrease in fund balance can be attributed to an increase in expenditures for wages and benefits.

Motor Vehicle and Gas Tax Fund

The Motor Vehicle and Gas Tax fund, a County major fund, had revenues of \$4,449,599 in 2017. The Motor Vehicle and Gas Tax fund had expenditures of \$3,031,889 in 2017. The Motor Vehicle and Gas Tax fund balance increased \$1,417,710 or 46.05% from 2016 to 2017. This increase in fund balance was due to a decrease in the amount of expenditures that was the result of a decrease in the number of projects that were completed in 2017.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

County Board of Developmental Disabled (DD) Fund

The County Board of DD fund, a County major fund, had revenues of \$5,872,384 in 2017. The County Board of DD fund had expenditures of \$4,209,111 in 2017. The County Board of DD fund balance increased \$1,663,273 or 53.41% from 2016 to 2017. The increase in fund balance is due to an increase in property tax revenue that was the result of an increase in gross tax rate.

Senior Center Fund

The Senior Center fund, a County major fund, had revenues of \$686,898 in 2017. The Senior Center fund had expenditures of \$831,047 in 2017. The Senior Center fund balance decreased \$144,149 or 40.71% from 2016 to 2017. Revenues and expenditures remained comparable to 2016.

Senior Center Capital Projects Fund

The Senior Center Capital Projects fund, a County major fund, had revenues and other financing sources of \$3,863,660 in 2017. The Senior Center Capital Projects fund had expenditures of \$2,919,845 in 2017. The Senior Center Capital Projects fund balance increased \$943,815 or 219.44% from 2016 to 2017. The increase in fund balance can be attributed to an increase in grant and property tax revenue along with a transfer of fund balances from a nonmajor governmental fund.

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 \$8,786,450. Final budgeted revenues and other financing sources were \$9,651,518. Actual revenues and other financing sources of \$9,677,904 were more than final budgeted revenues by \$26,386 due to property taxes being higher than the final budgeted amount, which was the result of the allocation of undivided taxes. Original budgeted expenditures and other financing uses were \$8,786,450. Final budgeted expenditures and other financing uses were \$9,868,452. Actual expenditures and other financing uses of \$9,404,701 were less than final budgeted expenditures by \$463,751 due to conservative spending by the County.

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, 2017
(UNAUDITED)

Sanitary Landfill Fund

The Sanitary Landfill fund, a major proprietary fund, had operating revenues of \$313,077 in 2017, an increase of \$43,118 or 15.97% from 2016 revenues. The sanitary landfill fund had operating expenses of \$671,084 in 2017, an increase of \$325,537 or 95.08% from 2016. The increase in expense can be attributed to an increase in closure and post-closure expenses related to the scrap tire recovery facility closure. The sanitary landfill fund also reported \$4,957 in non-operating revenues during 2017. The net change in operating revenues and expenses contributed to the decrease in net position of \$353,050 during 2017.

Capital Assets and Debt Administration

Capital Assets

At the end of 2017, the County had \$40,954,526 (net of accumulated depreciation) invested in land, buildings and improvements, machinery and equipment, vehicles and infrastructure. Of this total, \$40,192,152 was reported in governmental activities and \$762,374 was reported in business-type activities. The following table shows December 31, 2017 balances compared to December 31, 2016.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,298,818	\$ 2,298,818	\$ 249,481	\$ 249,481	\$ 2,548,299	\$ 2,548,299
Construction in progress	-	719,855	-	-	-	719,855
Building and improvements	10,659,876	7,185,700	60,674	63,502	10,720,550	7,249,202
Machinery and equipment	861,701	809,411	101,881	111,524	963,582	920,935
Vehicles	2,289,115	2,490,858	35,504	46,392	2,324,619	2,537,250
Infrastructure	<u>24,082,642</u>	<u>24,437,660</u>	<u>314,834</u>	<u>338,155</u>	<u>24,397,476</u>	<u>24,775,815</u>
Total	<u>\$ 40,192,152</u>	<u>\$ 37,942,302</u>	<u>\$ 762,374</u>	<u>\$ 809,054</u>	<u>\$ 40,954,526</u>	<u>\$ 38,751,356</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, 2017 the County had \$4,181,515 in general obligation bonds, special assessment bonds, Henry County senior center loan, mortgage loan and an estimated liability for landfill/post closure. Of this total \$275,165 is due within one year and \$3,906,350 is due in greater than one year. The following table summarizes the outstanding debt at December 31, 2017 and 2016.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Outstanding Long-Term Obligations, at Year End

	Governmental Activities 2017	Governmental Activities 2016	Business-type Activities 2017	Business-type Activities 2016	Total 2017	Total 2016
Long-term obligations:						
General obligation bonds	\$ 8,000	\$ 8,000	\$ -	\$ -	\$ 8,000	\$ 8,000
Special assessment bonds	23,736	35,605	-	-	23,736	35,605
Henry County senior center loan	1,595,890	-	-	-	1,595,890	-
Mortgage loan	1,284	8,898	-	-	1,284	8,898
Estimated liability for landfill closure/post closure	-	-	2,552,605	2,312,413	2,552,605	2,312,413
Total	\$ 1,628,910	\$ 52,503	\$ 2,552,605	\$ 2,312,413	\$ 4,181,515	\$ 2,364,916

At December 31, 2017 the County's overall legal debt margin was \$17,233,009. 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 2017.

The County's unemployment rate is 5.2%, compared to the 5.0% state average and the 4.4% 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 2018. Budgeted revenues and other financing sources in the general fund for 2018 is \$8,865,586. 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.

In February of 2017, the last residents moved out of Country View Haven (CVH) effectively closing its doors to the public. Once this happened, all remaining employees were terminated except for the Administrator and a maintenance person. These employees assisted in cleaning up the facility to have all assets sold.

During the summer of 2017, several auctions were held to sell off the assets inside the building. Then an additional "tear down" auction was held for people to pay for the removal of capital items in the building and on the grounds. Some of these items were the door, windows, metal from the building and so on. The Commissioners are now in the process of obtaining bids to tear down the rest of the facility.

The last two employees of CVH were then hired in other positions within the county. They are both general fund employees.

The CVH fund is still in existence to continue to pay for any outstanding debts such as workers comp claims, unemployment claims and tear down cost.

HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

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, 2017

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Assets:			
Equity in pooled cash and cash equivalents	\$ 24,248,727	\$ 323,784	\$ 24,572,511
Cash in segregated accounts	25,432	350	25,782
Receivables:			
Sales taxes	1,071,689	-	1,071,689
Property and other taxes	6,403,316	-	6,403,316
Accounts	112,597	3,207	115,804
Due from other governments	5,691,622	-	5,691,622
Special assessments	321,829	-	321,829
Accrued interest	18,845	465	19,310
Loans	1,454,906	-	1,454,906
Leases	58,000	-	58,000
Prepayments	174,606	420	175,026
Materials and supplies inventory	121,179	-	121,179
Net pension asset	24,238	353	24,591
Restricted assets:			
Equity in pooled cash and cash equivalents	-	627,921	627,921
Capital assets:			
Land	2,298,818	249,481	2,548,299
Depreciable capital assets, net	37,893,334	512,893	38,406,227
Total capital assets, net	<u>40,192,152</u>	<u>762,374</u>	<u>40,954,526</u>
Total assets	<u>79,919,138</u>	<u>1,718,874</u>	<u>81,638,012</u>
Deferred outflows of resources:			
Pension - OPERS	6,207,540	91,019	6,298,559
Total deferred outflows of resources	<u>6,207,540</u>	<u>91,019</u>	<u>6,298,559</u>
Total assets and deferred outflows of resources	<u>86,126,678</u>	<u>1,809,893</u>	<u>87,936,571</u>
Liabilities:			
Accounts payable	227,347	3,310	230,657
Contracts payable	157,551	-	157,551
Accrued wages and benefits payable	194,446	2,520	196,966
Pension obligation payable	123,514	1,802	125,316
Due to other governments	34,705	4,544	39,249
Deposits held and due to others	25,432	-	25,432
Amount to be repaid to claimants	63,156	-	63,156
Accrued interest payable	8,461	-	8,461
Long-term liabilities:			
Due within one year	949,737	10,268	960,005
Net pension liability	16,202,048	236,174	16,438,222
Due in more than one year	2,121,727	2,569,723	4,691,450
Total liabilities	<u>20,108,124</u>	<u>2,828,341</u>	<u>22,936,465</u>
Deferred inflows of resources:			
Property taxes levied for the next year	6,008,493	-	6,008,493
Pension - OPERS	554,987	2,583	557,570
Leases receivable	58,000	-	58,000
Total deferred inflows of resources	<u>6,621,480</u>	<u>2,583</u>	<u>6,624,063</u>
Net position:			
Net investment in capital assets	38,405,691	762,374	39,168,065
Restricted for:			
Capital projects	1,588,227	-	1,588,227
Debt service	126,660	-	126,660
Public safety programs	138,340	-	138,340
Public works projects	4,561,107	-	4,561,107
Human services	4,577,433	-	4,577,433
Health programs	1,307,204	-	1,307,204
Economic development programs	2,159,690	-	2,159,690
Other purposes	3,186,181	-	3,186,181
Unrestricted (deficit)	<u>3,346,541</u>	<u>(1,783,405)</u>	<u>1,563,136</u>
Total net position (deficit)	<u>\$ 59,397,074</u>	<u>\$ (1,021,031)</u>	<u>\$ 58,376,043</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Current:				
General government:				
Legislative and executive	\$ 3,632,739	\$ 1,555,452	\$ 9,155	\$ -
Judicial	1,641,951	410,329	18,746	-
Public safety	4,211,729	157,269	349,184	-
Public works	5,153,363	130,649	4,537,939	1,005,878
Health	942,848	222,290	104,602	-
Human services	10,371,381	549,141	4,983,411	683,593
Economic development and assistance	1,335,656	-	1,190,269	-
Transportation	723,682	693,148	105,506	-
Intergovernmental	321,417	-	-	-
Other	277,323	-	92,985	-
Interest and fiscal charges	12,663	-	-	-
Total governmental activities	<u>28,624,752</u>	<u>3,718,278</u>	<u>11,391,797</u>	<u>1,689,471</u>
Business-type activities:				
Sanitary landfill	671,084	313,077	-	-
Other business-type activities:				
Tower fund	35,451	26,794	-	-
Hahn Center	44,711	117,800	-	-
Monroe Township landfill fees	<u>727</u>	<u>777</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>751,973</u>	<u>458,448</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 29,376,725</u>	<u>\$ 4,176,726</u>	<u>\$ 11,391,797</u>	<u>\$ 1,689,471</u>

General revenues:

Property taxes levied for:

- General purposes
- Human services - County Board of DD.
- Human services - Senior Center.
- Health - Country View Haven

- Sales taxes
- Grants and entitlements not restricted to specific programs.
- Investment earnings
- Miscellaneous

Total general revenues

Change in net position

Net position (deficit) at beginning of year

Net position (deficit) at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (2,068,132)	\$ -	\$ (2,068,132)
(1,212,876)	-	(1,212,876)
(3,705,276)	-	(3,705,276)
521,103	-	521,103
(615,956)	-	(615,956)
(4,155,236)	-	(4,155,236)
(145,387)	-	(145,387)
74,972	-	74,972
(321,417)	-	(321,417)
(184,338)	-	(184,338)
(12,663)	-	(12,663)
(11,825,206)	-	(11,825,206)
-	(358,007)	(358,007)
-	(8,657)	(8,657)
-	73,089	73,089
-	50	50
-	(293,525)	(293,525)
(11,825,206)	(293,525)	(12,118,731)
2,164,388	-	2,164,388
4,304,840	-	4,304,840
1,224,683	-	1,224,683
268,454	-	268,454
4,266,130	-	4,266,130
1,562,993	-	1,562,993
157,764	4,957	162,721
644,277	-	644,277
14,593,529	4,957	14,598,486
2,768,323	(288,568)	2,479,755
56,628,751	(732,463)	55,896,288
\$ 59,397,074	\$ (1,021,031)	\$ 58,376,043

HENRY COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General</u>	<u>Country View Haven</u>	<u>Public Assistance</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 6,800,924	\$ 1,570,506	\$ 253,372	\$ 3,848,675	\$ 4,724,995
Cash in segregated accounts	-	-	-	-	203
Receivables:					
Sales taxes	1,071,689	-	-	-	-
Property and other taxes	1,024,531	-	-	-	4,405,481
Accounts	16,282	-	-	3,234	2,152
Due from other governments	637,027	-	1,762,570	2,186,452	418,919
Special assessments	-	-	-	-	-
Accrued interest	15,578	-	-	2,759	-
Loans	-	-	-	-	-
Due from other funds	3,593	-	-	3,996	-
Leases receivable	58,000	-	-	-	-
Prepayments	162,717	-	1,567	-	8,659
Materials and supplies inventory	14,087	-	5,222	86,173	7,027
Total assets	<u>\$ 9,804,428</u>	<u>\$ 1,570,506</u>	<u>\$ 2,022,731</u>	<u>\$ 6,131,289</u>	<u>\$ 9,567,436</u>
Liabilities:					
Accounts payable	\$ 35,471	\$ 13,427	\$ 8,333	\$ 25,948	\$ 20,205
Contracts payable	-	-	-	-	-
Accrued wages and benefits payable	66,138	-	21,410	17,943	58,653
Compensated absences payable	2,130	-	-	32,855	-
Due to other funds	3,567	-	2,875	-	-
Due to other governments	2,861	2,704	310	26,269	820
Pension obligation payable	46,434	-	14,736	15,505	23,031
Deposits held and due to others	-	-	-	-	203
Amount to be repaid to claimants	63,156	-	-	-	-
Total liabilities	<u>219,757</u>	<u>16,131</u>	<u>47,664</u>	<u>118,520</u>	<u>102,912</u>
Deferred inflows of resources:					
Property taxes levied for the next year	961,359	-	-	-	4,133,843
Delinquent property tax revenue not available	63,172	-	-	-	271,638
Accrued interest not available	4,224	-	-	2,759	-
Special assessments revenue not available	-	-	-	-	-
Sales tax revenue not available	390,202	-	-	-	-
Unavailable grant revenue	-	-	1,483,995	-	61,761
Lease revenue not available	58,000	-	-	-	-
Nonexchange transactions	292,525	-	-	1,513,482	219,585
Total deferred inflows of resources	<u>1,769,482</u>	<u>-</u>	<u>1,483,995</u>	<u>1,516,241</u>	<u>4,686,827</u>
Fund balances:					
Nonspendable	176,804	-	6,789	86,173	15,686
Restricted	-	1,554,375	484,283	4,410,355	4,762,011
Committed	-	-	-	-	-
Assigned	67,354	-	-	-	-
Unassigned	7,571,031	-	-	-	-
Total fund balances	<u>7,815,189</u>	<u>1,554,375</u>	<u>491,072</u>	<u>4,496,528</u>	<u>4,777,697</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,804,428</u>	<u>\$ 1,570,506</u>	<u>\$ 2,022,731</u>	<u>\$ 6,131,289</u>	<u>\$ 9,567,436</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Senior Center</u>	<u>Senior Center Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 235,856	\$ 648,091	\$ 6,166,308	\$ 24,248,727
25,229	-	-	25,432
-	-	-	1,071,689
409,813	563,491	-	6,403,316
-	-	90,929	112,597
28,443	9,936	648,275	5,691,622
-	-	321,829	321,829
-	-	508	18,845
-	-	1,454,906	1,454,906
-	-	9,029	16,618
-	-	-	58,000
-	-	1,663	174,606
-	-	8,670	121,179
<u>\$ 699,341</u>	<u>\$ 1,221,518</u>	<u>\$ 8,702,117</u>	<u>\$ 39,719,366</u>
\$ 16,679	\$ -	\$ 107,284	\$ 227,347
-	134,384	23,167	157,551
6,244	-	24,058	194,446
-	-	-	34,985
2,592	-	7,584	16,618
1,058	-	683	34,705
4,330	-	19,478	123,514
25,229	-	-	25,432
-	-	-	63,156
<u>56,132</u>	<u>134,384</u>	<u>182,254</u>	<u>877,754</u>
384,544	528,747	-	6,008,493
25,269	34,744	-	394,823
-	-	508	7,491
-	-	321,829	321,829
-	-	-	390,202
-	-	560,956	2,106,712
-	-	-	58,000
23,471	9,936	-	2,058,999
<u>433,284</u>	<u>573,427</u>	<u>883,293</u>	<u>11,346,549</u>
-	-	10,333	295,785
209,925	513,707	7,391,444	19,326,100
-	-	234,793	234,793
-	-	-	67,354
-	-	-	7,571,031
<u>209,925</u>	<u>513,707</u>	<u>7,636,570</u>	<u>27,495,063</u>
<u>\$ 699,341</u>	<u>\$ 1,221,518</u>	<u>\$ 8,702,117</u>	<u>\$ 39,719,366</u>

HENRY COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Total governmental fund balances	\$	27,495,063
<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.		40,192,152
The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds.		24,238
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 394,823	
Sales taxes receivable	390,202	
Special assessments receivable	321,829	
Intergovernmental receivable	4,165,711	
Accrued interest receivable	7,491	
Total	5,280,056	5,280,056
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.		(8,461)
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	6,207,540	
Deferred Inflows - OPERS	(554,987)	
Net pension liability - OPERS	(16,202,048)	
Total	(10,549,495)	(10,549,495)
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	(23,736)	
Loans payable	(1,595,890)	
Mortgage loans payable	(1,284)	
Compensated absences payable	(1,407,569)	
Total	(3,036,479)	(3,036,479)
Net position of governmental activities	\$	59,397,074

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Country View Haven	Public Assistance	Motor Vehicle and Gas Tax	County Board of DD
Revenues:					
Sales taxes.	\$ 4,320,179	\$ -	\$ -	\$ -	\$ -
Property and other taxes	2,197,840	282,663	-	-	4,277,603
Charges for services.	1,131,089	67,026	-	-	441,242
Licenses and permits	1,659	-	-	-	-
Fines and forfeitures	51,335	-	-	41,143	-
Intergovernmental.	1,448,559	8,288	1,848,952	4,258,640	1,087,469
Special assessments	-	-	-	-	-
Investment income.	156,977	-	-	22,673	-
Rental income	27,768	17,834	-	8,085	-
Contributions and donations.	-	-	-	-	9,064
Other	644,277	94,408	19,212	119,058	57,006
Total revenues	<u>9,979,683</u>	<u>470,219</u>	<u>1,868,164</u>	<u>4,449,599</u>	<u>5,872,384</u>
Expenditures:					
Current:					
General government:					
Legislative and executive	2,297,334	-	-	-	-
Judicial	1,348,909	-	-	-	-
Public safety	2,999,658	-	-	-	-
Public works	128,721	-	-	3,031,889	-
Health	41,497	388,591	-	-	-
Human services	274,776	-	1,967,633	-	4,201,389
Economic development and assistance	120,859	-	-	-	-
Transportation	-	-	-	-	-
Intergovernmental.	321,417	-	-	-	-
Other	179,271	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	7,614
Interest and fiscal charges	-	-	-	-	108
Total expenditures	<u>7,712,442</u>	<u>388,591</u>	<u>1,967,633</u>	<u>3,031,889</u>	<u>4,209,111</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>2,267,241</u>	<u>81,628</u>	<u>(99,469)</u>	<u>1,417,710</u>	<u>1,663,273</u>
Other financing sources (uses):					
Loan issuance	-	-	-	-	-
Transfers in	34,274	-	-	-	-
Transfers (out).	(1,740,522)	-	-	-	-
Total other financing sources (uses)	<u>(1,706,248)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	560,993	81,628	(99,469)	1,417,710	1,663,273
Fund balances at beginning of year	<u>7,254,196</u>	<u>1,472,747</u>	<u>590,541</u>	<u>3,078,818</u>	<u>3,114,424</u>
Fund balances at end of year	<u>\$ 7,815,189</u>	<u>\$ 1,554,375</u>	<u>\$ 491,072</u>	<u>\$ 4,496,528</u>	<u>\$ 4,777,697</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Senior Center	Senior Center Capital Project	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 4,320,179
330,438	374,239	513,989	7,976,772
-	-	1,743,070	3,382,427
-	-	130,149	131,808
-	-	57,878	150,356
187,700	396,804	3,830,122	13,066,534
-	-	400,818	400,818
-	-	36,767	216,417
-	-	-	53,687
159,760	276,853	7,723	453,400
9,000	-	248,424	1,191,385
<u>686,898</u>	<u>1,047,896</u>	<u>6,968,940</u>	<u>31,343,783</u>
-	-	671,379	2,968,713
-	-	87,634	1,436,543
-	-	636,912	3,636,570
-	-	191,587	3,352,197
-	-	130,753	560,841
831,047	-	2,252,571	9,527,416
-	-	1,214,797	1,335,656
-	-	608,986	608,986
-	-	-	321,417
-	-	85,268	264,539
-	2,919,845	1,928,582	4,848,427
-	-	11,869	19,483
-	-	4,770	4,878
<u>831,047</u>	<u>2,919,845</u>	<u>7,825,108</u>	<u>28,885,666</u>
<u>(144,149)</u>	<u>(1,871,949)</u>	<u>(856,168)</u>	<u>2,458,117</u>
-	1,595,890	-	1,595,890
-	1,219,874	1,757,161	3,011,309
-	-	(1,270,787)	(3,011,309)
-	<u>2,815,764</u>	<u>486,374</u>	<u>1,595,890</u>
(144,149)	943,815	(369,794)	4,054,007
354,074	(430,108)	8,006,364	23,441,056
<u>\$ 209,925</u>	<u>\$ 513,707</u>	<u>\$ 7,636,570</u>	<u>\$ 27,495,063</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, 2017

Net change in fund balances - total governmental funds	\$	4,054,007
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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	\$ 4,858,651	
Current year depreciation	<u>(2,177,695)</u>	
Total		2,680,956
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(431,106)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(14,407)	
Sales taxes	(54,049)	
Special assessments	(98,117)	
Intergovernmental revenues	212,858	
Investment income	<u>3,007</u>	
Total		49,292
Proceeds of bonds, loans and capital leases are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(1,595,890)
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.		
		19,483
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
		(7,785)
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.		
		55,436
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,188,185
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		<u>(3,244,255)</u>
Change in net position of governmental activities	\$	<u>2,768,323</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)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Sales taxes	\$ 3,900,000	\$ 4,326,376	\$ 4,414,408	\$ 88,032
Property and other taxes.	2,209,000	2,241,304	2,241,304	-
Charges for services.	967,100	1,026,307	962,263	(64,044)
Licenses and permits	1,350	1,675	1,659	(16)
Fines and forfeitures	65,000	65,000	49,537	(15,463)
Intergovernmental.	1,158,000	1,199,463	1,154,438	(45,025)
Investment income.	32,000	101,594	149,723	48,129
Rental income	30,000	30,000	27,768	(2,232)
Other	424,000	625,525	642,530	17,005
Total revenues	<u>8,786,450</u>	<u>9,617,244</u>	<u>9,643,630</u>	<u>26,386</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	2,297,985	2,465,440	2,334,605	130,835
Judicial	1,302,475	1,328,565	1,255,135	73,430
Public safety	3,160,709	3,187,293	3,081,444	105,849
Public works	134,551	134,147	135,543	(1,396)
Health	77,400	77,400	41,779	35,621
Human services	348,848	348,848	273,423	75,425
Economic development and assistance	114,000	148,728	121,466	27,262
Intergovernmental	319,809	321,517	321,417	100
Other	107,200	88,755	99,367	(10,612)
Total expenditures	<u>7,862,977</u>	<u>8,100,693</u>	<u>7,664,179</u>	<u>436,514</u>
Excess of revenues over expenditures . . .	<u>923,473</u>	<u>1,516,551</u>	<u>1,979,451</u>	<u>462,900</u>
Other financing sources (uses):				
Transfers in	-	34,274	34,274	-
Transfers (out).	(923,473)	(1,767,759)	(1,740,522)	27,237
Total other financing sources (uses)	<u>(923,473)</u>	<u>(1,733,485)</u>	<u>(1,706,248)</u>	<u>27,237</u>
Net change in fund balances	-	(216,934)	273,203	490,137
Fund balances at beginning of year	5,916,337	5,916,337	5,916,337	-
Prior year encumbrances appropriated . .	55,086	55,086	55,086	-
Fund balance at end of year	<u>\$ 5,971,423</u>	<u>\$ 5,754,489</u>	<u>\$ 6,244,626</u>	<u>\$ 490,137</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)
 COUNTRY VIEW HAVEN
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 970,000	\$ 970,000	\$ 302,001	\$ (667,999)
Charges for services	380,000	380,000	67,026	(312,974)
Intergovernmental	60,000	60,000	8,288	(51,712)
Rental income	27,000	27,000	17,834	(9,166)
Other	2,000	94,651	94,651	-
Total revenues	<u>1,439,000</u>	<u>1,531,651</u>	<u>489,800</u>	<u>(1,041,851)</u>
Expenditures:				
Current:				
Health	<u>1,843,703</u>	<u>1,887,193</u>	<u>497,040</u>	<u>1,390,153</u>
Total expenditures	<u>1,843,703</u>	<u>1,887,193</u>	<u>497,040</u>	<u>1,390,153</u>
Net change in fund balance.	(404,703)	(355,542)	(7,240)	348,302
Fund balance at beginning of year	1,554,978	1,554,978	1,554,978	-
Prior year encumbrances appropriated	<u>22,768</u>	<u>22,768</u>	<u>22,768</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,173,043</u>	<u>\$ 1,222,204</u>	<u>\$ 1,570,506</u>	<u>\$ 348,302</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)
 PUBLIC ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 2,511,506	\$ 2,511,506	\$ 1,798,812	(712,694)
Other	46,000	46,154	23,527	(22,627)
Total revenues	<u>2,557,506</u>	<u>2,557,660</u>	<u>1,822,339</u>	<u>(735,321)</u>
Expenditures:				
Current:				
Human services	<u>2,557,506</u>	<u>2,558,006</u>	<u>1,984,012</u>	<u>573,994</u>
Total expenditures	<u>2,557,506</u>	<u>2,558,006</u>	<u>1,984,012</u>	<u>573,994</u>
Net change in fund balance.	-	(346)	(161,673)	(161,327)
Fund balance at beginning of year	414,263	414,263	414,263	-
Prior year encumbrances appropriated	782	782	782	-
Fund balance at end of year	<u>\$ 415,045</u>	<u>\$ 414,699</u>	<u>\$ 253,372</u>	<u>\$ (161,327)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 42,607	\$ 42,607	\$ 40,150	\$ (2,457)
Intergovernmental	4,195,323	4,319,189	4,283,870	(35,319)
Investment income.	5,000	22,673	22,673	-
Rental income	9,892	9,892	8,085	(1,807)
Other	154,004	154,004	125,878	(28,126)
Total revenues	<u>4,406,826</u>	<u>4,548,365</u>	<u>4,480,656</u>	<u>(67,709)</u>
Expenditures:				
Current:				
Public works.	4,406,826	4,441,645	3,037,085	1,404,560
Total expenditures	<u>4,406,826</u>	<u>4,441,645</u>	<u>3,037,085</u>	<u>1,404,560</u>
Net change in fund balance.	-	106,720	1,443,571	1,336,851
Fund balance at beginning of year	2,259,582	2,259,582	2,259,582	-
Prior year encumbrances appropriated	66,713	66,713	66,713	-
Fund balance at end of year	<u>\$ 2,326,295</u>	<u>\$ 2,433,015</u>	<u>\$ 3,769,866</u>	<u>\$ 1,336,851</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 4,200,000	4,231,675	\$ 4,610,211	\$ 378,536
Charges for services	330,000	431,771	431,771	-
Intergovernmental	780,678	1,013,655	1,011,860	(1,795)
Contributions and donations	23,000	10,000	9,064	(936)
Other	25,000	60,043	60,043	-
Total revenues	<u>5,358,678</u>	<u>5,747,144</u>	<u>6,122,949</u>	<u>375,805</u>
Expenditures:				
Current:				
Human services	4,978,287	5,192,020	4,218,196	973,824
Total expenditures	<u>4,978,287</u>	<u>5,192,020</u>	<u>4,218,196</u>	<u>973,824</u>
Excess of revenues over expenditures	<u>380,391</u>	<u>555,124</u>	<u>1,904,753</u>	<u>1,349,629</u>
Other financing sources:				
Transfer in	40,000	40,000	-	(40,000)
Total other financing sources	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>
Net change in fund balance	420,391	595,124	1,904,753	1,309,629
Fund balance at beginning of year	<u>2,820,242</u>	<u>2,820,242</u>	<u>2,820,242</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,240,633</u>	<u>\$ 3,415,366</u>	<u>\$ 4,724,995</u>	<u>\$ 1,309,629</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$409,096	\$413,729	\$448,942	\$ 35,213
Intergovernmental	133,688	147,092	144,373	(2,719)
Contributions and donations.	141,400	159,910	159,910	-
Other	9,000	9,000	9,000	-
Total revenues	<u>693,184</u>	<u>729,731</u>	<u>762,225</u>	<u>32,494</u>
Expenditures:				
Current:				
Human services	<u>895,332</u>	<u>904,473</u>	<u>836,594</u>	<u>67,879</u>
Total expenditures	<u>895,332</u>	<u>904,473</u>	<u>836,594</u>	<u>67,879</u>
Net change in fund balance.	(202,148)	(174,742)	(74,369)	100,373
Fund balance at beginning of year	<u>310,225</u>	<u>310,225</u>	<u>310,225</u>	<u>-</u>
Fund balance at end of year	<u>\$ 108,077</u>	<u>\$ 135,483</u>	<u>\$ 235,856</u>	<u>\$ 100,373</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 61,577	\$ 262,207	\$ 323,784
Cash with fiscal and escrow agents	350	-	350
Receivables (net of allowance for uncollectibles):			
Accounts	1,334	1,873	3,207
Accrued interest	465	-	465
Restricted assets:			
Equity in pooled cash and cash equivalents	627,921	-	627,921
Prepayments	420	-	420
Net pension asset	353	-	353
Total current assets	692,420	264,080	956,500
Noncurrent assets:			
Capital assets:			
Land	249,481	-	249,481
Depreciable capital assets, net	512,893	-	512,893
Total capital assets, net	762,374	-	762,374
Total noncurrent assets	762,374	-	762,374
Total assets	1,454,794	264,080	1,718,874
Deferred outflows of resources:			
Pension - OPERS	91,019	-	91,019
Total deferred outflows of resources	91,019	-	91,019
Total assets and deferred outflows of resources	1,545,813	264,080	1,809,893
Liabilities:			
Current liabilities:			
Accounts payable	3,310	-	3,310
Accrued wages and benefits payable	2,520	-	2,520
Due to other funds	-	-	-
Compensated absences payable	10,268	-	10,268
Due to other governments	4,544	-	4,544
Pension obligation payable	1,802	-	1,802
Total current liabilities	22,444	-	22,444
Long-term liabilities:			
Compensated absences payable	17,118	-	17,118
Net pension liability	236,174	-	236,174
Estimated accrued liability for landfill closure and post closure costs	2,552,605	-	2,552,605
Total long-term liabilities	2,805,897	-	2,805,897
Total liabilities	2,828,341	-	2,828,341
Deferred inflows of resources:			
Pension - OPERS	2,583	-	2,583
Total deferred inflows of resources	2,583	-	2,583
Total liabilities and deferred inflows of resources	2,830,924	-	2,830,924
Net position:			
Investment in capital assets	762,374	-	762,374
Unrestricted (deficit)	(2,047,485)	264,080	(1,783,405)
Total net position (deficit)	\$ (1,285,111)	\$ 264,080	\$ (1,021,031)

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, 2017

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Operating revenues:			
Charges for services	\$ 313,077	\$ 145,371	\$ 458,448
Total operating revenues.	<u>313,077</u>	<u>145,371</u>	<u>458,448</u>
Operating expenses:			
Personal services	124,925	100	125,025
Fringe benefits.	31,902	-	31,902
Contract services.	167,935	44,509	212,444
Materials and supplies.	674	1,574	2,248
Depreciation.	46,680	-	46,680
Landfill closure and post-closure costs . . .	288,332	-	288,332
Utilities	10,636	30,967	41,603
Other	-	3,739	3,739
Total operating expenses.	<u>671,084</u>	<u>80,889</u>	<u>751,973</u>
Operating income (loss)	<u>(358,007)</u>	<u>64,482</u>	<u>(293,525)</u>
Nonoperating revenues:			
Interest income	4,957	-	4,957
Total nonoperating revenues	<u>4,957</u>	<u>-</u>	<u>4,957</u>
Change in net position	(353,050)	64,482	(288,568)
Net position (deficit) at beginning of year	<u>(932,061)</u>	<u>199,598</u>	<u>(732,463)</u>
Net position (deficit) at end of year	<u>\$ (1,285,111)</u>	<u>\$ 264,080</u>	<u>\$ (1,021,031)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sanitary Landfill</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from charges for services	312,257	\$ 143,498	\$ 455,755
Cash payments for personal services	(122,502)	(100)	(122,602)
Cash payments for contractual services	(166,744)	(44,557)	(211,301)
Cash payments for materials and supplies	(674)	(1,574)	(2,248)
Cash payments for utilities	(10,636)	(30,967)	(41,603)
Cash payments for other expenses	(48,140)	(3,739)	(51,879)
Net cash provided by (used in) operating activities . .	<u>(36,439)</u>	<u>62,561</u>	<u>26,122</u>
Cash flows from investing activities:			
Interest received	4,722	-	4,722
Net cash provided by investing activities	<u>4,722</u>	<u>-</u>	<u>4,722</u>
Net increase (decrease) in cash and cash equivalents	(31,717)	62,561	30,844
Cash and cash equivalents at beginning of year	721,565	199,646	921,211
Cash and cash equivalents at end of year	<u>\$ 689,848</u>	<u>\$ 262,207</u>	<u>\$ 952,055</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (358,007)	\$ 64,482	\$ (293,525)
Adjustments:			
Depreciation	46,680	-	46,680
Changes in assets and liabilities:			
Increase in accounts receivable	(820)	(1,873)	(2,693)
Decrease in prepayments	1,521	-	1,521
Increase in net pension asset	(61)	-	(61)
Increase in deferred outflows - pension	(21,787)	-	(21,787)
Increase (decrease) in accounts payable	595	(48)	547
Increase in accrued wages and benefits	96	-	96
Decrease in due to other funds	(1,494)	-	(1,494)
Increase in due to other governments	571	-	571
Increase in pension obligation payable	36	-	36
Increase in landfill closure and postclosure care liability . .	240,192	-	240,192
Increase in compensated absences payable	2,289	-	2,289
Increase in net pension liability	56,626	-	56,626
Decrease in deferred inflows - pension	(2,876)	-	(2,876)
Net cash provided by (used in) operating activities	<u>\$ (36,439)</u>	<u>\$ 62,561</u>	<u>\$ 26,122</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2017**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 7,189,054
Cash in segregated accounts	72,582
Receivables:	
Property and other taxes	31,862,899
Due from other governments	1,231,589
Special assessments	251,578
Accrued interest	307
	<hr/>
Total assets	\$ 40,608,009
	<hr/> <hr/>
Liabilities:	
Due to other governments	\$ 39,467,823
Deposits held and due to others	583,957
Undistributed assets	556,229
	<hr/>
Total liabilities	\$ 40,608,009
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

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 2017, Henry County contributed \$189,054 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 2017, Henry County contributed \$939,616 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 2017, Henry County contributed \$720,361 for the ADAMHS operations. Information can be obtained from Marlene J. Goodwin, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

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 2017, Henry County contributed \$31,875 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 2017, Henry County contributed \$430,459 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 2017, Henry County contributed \$45,643 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, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

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, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

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. The revenues are used to operate and maintain the Country View Haven home.

Public Assistance Fund - This fund accounts for revenues derived from federal and state grants. The revenues are used to provide public assistance to general relief recipients, and to pay their providers of medical assistance and certain public social services.

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.

HENRY COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

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.

Senior Center Capital Projects Fund – This fund is used to account for the capital improvements of the senior center. Revenue sources include a countywide property tax levy, donations and federal and state grants.

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

PROPRIETARY FUNDS

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

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

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

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

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

D. Basis of Accounting

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, See Note 15 for deferred outflows of resources related the County's net pension liability.

Property taxes for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance year 2018 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, 2017, 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

For the County, See Note 15 for deferred inflows of resources related to the County's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgetary Process

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

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the fall with respective officeholders and department heads.
2. Shortly after the beginning of the year, the Board of County Commissioners passes an appropriation resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.
3. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The revised budget figures reflected in the budgetary statements include the prior year appropriations carried over for liquidations against prior year encumbrances and any amendments to the original appropriation resolution.
5. The Board of County Commissioners appropriate at the fund, department and line item. For funds which are directly appropriated by the Board of County Commissioners, the transfer of appropriations at the fund, department and line item requires a resolution signed by at least two Commissioners.
6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2017.
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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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 2017 amounted to \$156,977 which includes \$116,926 assigned from other County funds.

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

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

G. Inventories of Materials and Supplies

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

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

H. Capital Assets

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

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 acquisition 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT’S COMPILATION REPORT)

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

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.

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, 2017, 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, 2017 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, 2017, 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

K. Accrued Liabilities and Long-term Obligations

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

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

L. Interfund Transactions

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

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. The County had no interfund loans receivable/payable or advances to/from other funds outstanding at December 31, 2017.

All other outstanding balances between funds are reported as "due to/from other funds". These amounts are eliminated in the statement of net position.

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

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

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

N. Net Position

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

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

O. Restricted Assets

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County administration and that are either unusual in nature or infrequent in occurrence. No extraordinary transactions or special items occurred during 2017.

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 2017.

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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2017, the County has implemented GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*", GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*", and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*".

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the County.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the County.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the County.

B. Deficit Fund Balances

Fund balances at December 31, 2017 included the following individual fund deficits:

<u>Major Enterprise Fund</u>	<u>Deficit</u>
Landfill	\$ 1,285,111

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

A. Cash on Hand

At year end, the County had \$3,453 in undeposited cash on hand, of which \$1,053 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 \$97,311 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 \$627,921 in restricted assets associated with the County landfill. This amount is included in the amount of "deposits with financial institutions" below.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Deposits with Financial Institutions

At December 31, 2017, the carrying amount of all County deposits was \$32,484,397 and the bank balance of all County deposits was \$32,993,837. Of the bank balance, \$717,384 was covered by the FDIC and \$32,276,453 was covered by the Ohio Pooled Collateral System.

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. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

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, 2017:

Cash and investments per note

Carrying amount of deposits	\$ 32,484,397
Cash on hand	3,453
Total	<u>\$ 32,487,850</u>

Cash and investments per statement of net position

Governmental activities	\$ 24,274,159
Business-type activities	952,055
Agency funds	7,261,636
Total	<u>\$ 32,487,850</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2017, consisted of the following, as reported on the fund financial statements:

<u>Transfers to general fund from:</u>	
Nonmajor governmental funds	\$ 34,274
 <u>Transfers to nonmajor governmental fund from:</u>	
General fund	1,740,522
Nonmajor governmental funds	16,639
 <u>Transfers to senior center capital projects fund from:</u>	
Nonmajor governmental	<u>1,219,874</u>
Total	<u>\$ 3,011,309</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.

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, 2017, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 655
General	Public assistance	2,875
General	Senior center	63
Motor vehicle and gas tax	Nonmajor governmental	429
Motor vehicle and gas tax	General	3,567
Nonmajor governmental	Nonmajor governmental	6,500
Nonmajor governmental	Senior center	<u>2,529</u>
Total due to/due from other funds		<u>\$ 16,618</u>

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

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. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 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, 2017 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 2017 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, 2017 was \$14.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 641,386,670
Commercial/industrial/mineral	67,406,470
Public utility	<u>35,780,810</u>
Total assessed value	<u>\$ 744,573,950</u>

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 7 - PERMISSIVE SALES AND USE TAX (Continued)

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 2017 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 2017 amounted to \$4,320,179 as reported on the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2017, 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	\$ 1,071,689
Property and other taxes	6,403,316
Accounts	112,597
Due from other governments	5,691,622
Special assessments	321,829
Accrued interest	18,845
Loans	1,454,906
Leases	58,000
Business-type activities:	
Accounts	3,207
Accrued interest	465

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

NOTE 9 - LOANS RECEIVABLE

The County maintains revolving loan programs for local businesses to encourage business development in the County and housing rehabilitation to bring homes into conformance with local and state codes. In 2017, the CDBG Economic Development loans and the Microenterprise loans were consolidated into a single CDBG Economic Development account. A summary of the County's loan activity for 2017 is as follows:

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - LOANS RECEIVABLE (Continued)

	Balance 12/31/16	Issued	Payments/ Reductions	Balance 12/31/17
CDBG Economic Development	\$ 1,230,809	\$ 115,000	\$ (226,208)	\$ 1,119,601
CDBG Housing	366,966	-	(31,661)	335,305
Total revolving loans	\$ 1,597,775	\$ 115,000	\$ (257,869)	\$ 1,454,906

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 \$32,400 for a carrying book value of \$87,600.

The future minimum lease payments as of December 31, 2017, are as follows:

Year Ending December 31,	Minimum Lease Payments
2018	\$ 12,000
2019	12,000
2020	12,000
2021	12,000
2022	10,000
Totals	\$ 58,000

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/16	Additions	Disposals	Balance 12/31/17
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,298,818	\$ -	\$ -	\$ 2,298,818
Construction in progress	719,855	2,812,261	(3,532,116)	-
Total capital assets, not being depreciated	<u>3,018,673</u>	<u>2,812,261</u>	<u>(3,532,116)</u>	<u>2,298,818</u>
<i>Capital assets, being depreciated:</i>				
Building and improvements	22,247,658	4,255,008	(879,586)	25,623,080
Equipment	1,856,941	176,748	(55,083)	1,978,606
Vehicles	5,553,761	167,940	(313,965)	5,407,736
Infrastructure	48,213,861	978,810	-	49,192,671
Total capital assets, being depreciated	<u>77,872,221</u>	<u>5,578,506</u>	<u>(1,248,634)</u>	<u>82,202,093</u>
<i>Less: accumulated depreciation:</i>				
Building and improvements	(15,061,958)	(454,233)	552,987	(14,963,204)
Equipment	(1,047,530)	(109,873)	40,498	(1,116,905)
Vehicles	(3,062,903)	(279,761)	224,043	(3,118,621)
Infrastructure	(23,776,201)	(1,333,828)	-	(25,110,029)
Total accumulated depreciation	<u>(42,948,592)</u>	<u>(2,177,695)</u>	<u>817,528</u>	<u>(44,308,759)</u>
Total capital assets being depreciated, net	<u>34,923,629</u>	<u>3,400,811</u>	<u>(431,106)</u>	<u>37,893,334</u>
Governmental activities capital assets, net	<u>\$ 37,942,302</u>	<u>\$ 6,213,072</u>	<u>\$ (3,963,222)</u>	<u>\$ 40,192,152</u>

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

Governmental activities:	
General government:	
Legislative and executive	\$ 343,172
Judicial	21,574
Public safety	108,880
Public works	1,531,686
Health	3,602
Human services	157,016
Other	11,765
Total depreciation expense - governmental activities	<u>\$ 2,177,695</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 11 - CAPITAL ASSETS (Continued)

	Balance 12/31/16	Additions	Deductions	Balance 12/31/17
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	(90,299)	(2,828)	-	(93,127)
Machinery and equipment	(103,591)	(9,643)	-	(113,234)
Vehicles	(375,528)	(10,888)	-	(386,416)
Infrastructure	(128,266)	(23,321)	-	(151,587)
Total accumulated depreciation	(697,684)	(46,680)	-	(744,364)
Total capital assets, being depreciated net	559,573	(46,680)	-	512,893
Business-type activities capital assets, net	\$ 809,054	\$ (46,680)	\$ -	\$ 762,374

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 Board of DD with five to ten years of service with any Ohio local government or the State of Ohio is paid 25% of his or her accumulated unused sick leave, up to a maximum of 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, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - COMPENSATED ABSENCES (Continued)

At December 31, 2017, vested benefits for vacation leave for governmental activities employees totaled \$639,587 and vested benefits for sick leave totaled \$767,982. In addition, the County has recorded a liability in the governmental funds in the amount of \$34,985 for employees who have notified the County by December 31, 2017 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 \$10,268 and vested benefits for sick leave totaled \$17,118. 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 2017, the following changes occurred in the County's governmental long-term obligations:

	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/17</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
2003 - 5% Grelton					
waterline bond	\$ 8,000	\$ -	\$ -	\$ 8,000	\$ 6,000
Total general obligation bonds	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>6,000</u>
<u>Special assessment bonds</u> <u>with governmental commitment:</u>					
1998 - 4.75%	35,605	-	(11,869)	23,736	11,869
Total special assessment bonds	<u>35,605</u>	<u>-</u>	<u>(11,869)</u>	<u>23,736</u>	<u>11,869</u>
<u>Other obligations:</u>					
Compensated absences	1,519,826	868,942	(946,214)	1,442,554	674,572
Net Pension Liability	13,167,482	3,034,566	-	16,202,048	-
Henry County Senior Center Loan	-	1,595,890	-	1,595,890	256,012
Mortgage loan - 2%	8,898	-	(7,614)	1,284	1,284
Total other obligations	<u>14,696,206</u>	<u>5,499,398</u>	<u>(953,828)</u>	<u>19,241,776</u>	<u>931,868</u>
Total governmental activities long-term obligations	<u>\$ 14,739,811</u>	<u>\$ 5,499,398</u>	<u>\$ (965,697)</u>	<u>\$ 19,273,512</u>	<u>\$ 949,737</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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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.

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.

Henry County Senior Center loan

During 2016, the County Board of Commissioners entered into a loan agreement with the Henry County bank in the amount of \$1,595,890 to fund the acquisition of land and the provision of building materials and services for the construction of a new Henry County Senior Center facility.

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, public assistance and motor vehicle and gas tax 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	<u>General Obligation Bonds</u>			<u>Special Assessment Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 6,000	\$ 600	\$ 6,600	\$ 11,869	\$ 515	\$ 12,384
2019	<u>2,000</u>	<u>100</u>	<u>2,100</u>	<u>11,869</u>	<u>515</u>	<u>12,384</u>
Total	<u>\$ 8,000</u>	<u>\$ 700</u>	<u>\$ 8,700</u>	<u>\$ 23,738</u>	<u>\$ 1,030</u>	<u>\$ 24,768</u>

Year Ended	<u>Mortgage Loan</u>			<u>Henry County Senior Center Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,284	\$ 3	\$ 1,287	\$ 256,012	\$ 24,135	\$ 280,147
2019	-	-	-	524,033	36,261	560,294
2020	-	-	-	539,804	20,490	560,294
2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,041</u>	<u>4,107</u>	<u>280,148</u>
Total	<u>\$ 1,284</u>	<u>\$ 3</u>	<u>\$ 1,287</u>	<u>\$ 1,595,890</u>	<u>\$ 84,993</u>	<u>\$ 1,680,883</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-type Long-Term Obligations

During 2017, the following changes occurred in the County's business-type long-term obligations:

	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/17</u>	<u>Due in</u> <u>One Year</u>
Business-type activities:					
Net pension liability	\$ 179,548	\$ 56,626	\$ -	\$ 236,174	\$ -
Landfill closure and postclosure care liability	2,312,413	288,332	(48,140)	2,552,605	-
Compensated absences	<u>25,097</u>	<u>10,686</u>	<u>(8,397)</u>	<u>27,386</u>	<u>10,268</u>
Total	<u>\$ 2,517,058</u>	<u>\$ 355,644</u>	<u>\$ (56,537)</u>	<u>\$ 2,816,165</u>	<u>\$ 10,268</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 \$17,233,009 at December 31, 2017 and the unvoted legal debt margin was \$7,564,400 at December 31, 2017.

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - RISK MANAGEMENT - (Continued)

During 2017, 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.

B. Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative Consortium

The County is participating in the Northern Buckeye Health Plan (the "Plan") – Northwest Division of Optimal Health Initiative Consortium (OHIC). The Plan is a public entity shared risk pool consisting of education entities within Defiance, Fulton, Henry, and Williams Counties. The Plan is governed by a Board elected from an Assembly consisting of a representative from each participating member.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

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.

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* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees, other than full-time police and firefighters, 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 Pension Plan.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 3.00% 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 2.25%.

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 1.00% 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 2.25% 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:

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2017 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0 %	17.1 %	17.1 %
Post-employment Health Care Benefits	<u>1.0 %</u>	<u>1.0 %</u>	<u>1.0 %</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</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.

The County's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$1,205,506 for 2017. Of this amount, \$141,228 is reported as pension obligation 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, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2016, 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. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. 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:

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OPERS - Member- Directed</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.09311800%	0.05368000%	0.03904000%	
Proportion of the net pension liability/asset current measurement date	<u>0.08756100%</u>	<u>0.05308600%</u>	<u>0.04766700%</u>	
Change in proportionate share	<u>-0.00555700%</u>	<u>-0.00059400%</u>	<u>0.00862700%</u>	
Proportionate share of the net pension liability	\$ 16,438,222	\$ -	\$ -	\$ 16,438,222
Proportionate share of the net pension asset	-	(24,426)	(165)	(24,591)
Pension expense	3,275,627	17,647	203	3,293,477

THIS SPACE IS INTENTIONALLY LEFT BLANK

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	Total
Deferred outflows of resources				
Differences between expected and actual experience	\$ 22,281	\$ -	\$ 1,671	\$ 23,952
Net difference between projected and actual earnings on pension plan investments	2,448,029	5,960	143	2,454,132
Changes of assumptions	2,607,300	5,953	185	2,613,438
Changes in employer's proportionate percentage/difference between employer contributions	1,531	-	-	1,531
County contributions subsequent to the measurement date	1,152,341	23,171	29,994	1,205,506
Total deferred outflows of resources	<u>\$ 6,231,482</u>	<u>\$ 35,084</u>	<u>\$ 31,993</u>	<u>\$ 6,298,559</u>
Deferred inflows of resources				
Differences between expected and actual experience	\$ 97,831	\$ 12,493	\$ -	\$ 110,324
Changes in employer's proportionate percentage/difference between employer contributions	447,246	-	-	447,246
Total deferred outflows of resources	<u>\$ 545,077</u>	<u>\$ 12,493</u>	<u>\$ -</u>	<u>\$ 557,570</u>

\$1,205,506 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, 2018.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	Total
2018	\$ 1,812,834	\$ 1,157	\$ 292	\$ 1,814,283
2019	1,938,058	1,157	292	1,939,507
2020	854,930	899	284	856,113
2021	(71,757)	(1,208)	231	(72,734)
2022	(1)	(989)	238	(752)
Thereafter	-	(1,596)	662	(934)
Total	<u>\$ 4,534,064</u>	<u>\$ (580)</u>	<u>\$ 1,999</u>	<u>\$ 4,535,483</u>

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 was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, for the defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75% including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

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 2016 and the long-term expected real rates of return:

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.75 %
Domestic equities	20.70	6.34
Real estate	10.00	4.75
Private equity	10.00	8.97
International equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. A discount rate of 8.00% was used in the previous measurement period. 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 contractually required rates, as actuarially determined. 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 for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.50%, 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 (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 25,113,055	\$ 16,438,222	\$ 9,209,278
Combined Plan	1,755	(24,426)	(44,765)
Member-Directed Plan	394	(165)	(394)

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 16 - POSTRETIREMENT BENEFIT PLANS – (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) 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 administered 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 2017, local government employers contributed 14.00% of covered payroll. 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 2017 was 1.00%.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$121,143, \$250,097, and \$178,597, respectively; 91.06% has been contributed for 2017 and 100% has been contributed for 2016 and 2015. The remaining 2017 post-employment health care benefits liability has been reported as pension obligation payable on the basic financial statements.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 16 - POSTRETIREMENT BENEFIT PLANS – (Continued)

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 fund, country view haven fund, County Board of DD fund, motor vehicle and gas tax fund, public assistance fund and senior center fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance

	<u>General Fund</u>	<u>Country View Haven</u>	<u>Public Assistance</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>	<u>Senior Center</u>
Budget basis	\$ 185,171	\$ (7,240)	\$ (161,673)	\$ 1,443,571	\$ 1,526,217	\$ (109,582)
Net adjustment for revenue accruals	(32,493)	(19,581)	45,825	(31,057)	127,971	(40,114)
Net adjustment for expenditure accruals	10,690	108,449	16,379	(73,613)	9,085	5,547
Adjustment for encumbrances	71,213	-	-	78,809	-	-
Funds budgeted elsewhere	<u>326,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$ 560,993</u>	<u>\$ 81,628</u>	<u>\$ (99,469)</u>	<u>\$ 1,417,710</u>	<u>\$ 1,663,273</u>	<u>\$ (144,149)</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.

THIS SPACE IS INTENTIONALLY LEFT BLANK

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

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	Public Assistance	Motor Vehicle and Gas Tax	County Board of DD
Nonspendable:					
Prepays	\$ 162,717	\$ -	\$ 1,567	\$ -	\$ 8,659
Materials and supplies inventory	<u>14,087</u>	<u>-</u>	<u>5,222</u>	<u>86,173</u>	<u>7,027</u>
Total nonspendable	<u>176,804</u>	<u>-</u>	<u>6,789</u>	<u>86,173</u>	<u>15,686</u>
Restricted:					
Debt service	-	-	-	-	-
Capital improvements	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	4,410,355	-
Human services	-	-	484,283	-	4,762,011
Health programs	-	1,554,375	-	-	-
Economic development programs	-	-	-	-	-
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total restricted	<u>-</u>	<u>1,554,375</u>	<u>484,283</u>	<u>4,410,355</u>	<u>4,762,011</u>
Committed:					
Capital improvements	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned:					
Legislative and executive	16,508	-	-	-	-
Judicial	1,879	-	-	-	-
Public safety	43,800	-	-	-	-
Public works	4,892	-	-	-	-
Other purposes	<u>275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assigned	<u>67,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned (deficit)	<u>7,571,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 7,815,189</u>	<u>\$ 1,554,375</u>	<u>\$ 491,072</u>	<u>\$ 4,496,528</u>	<u>\$ 4,777,697</u>

Continued-

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 19 - FUND BALANCE (Continued)

<u>Continued -</u>	Senior Center	Senior Center Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund balance	Center	Capital Projects	Funds	Funds
Nonspendable:				
Prepays	\$ -	\$ -	\$ 1,663	\$ 174,606
Materials and supplies inventory	-	-	8,670	121,179
Total nonspendable	-	-	10,333	295,785
Restricted:				
Debt service	-	-	126,660	126,660
Capital improvements	-	513,707	624,155	1,137,862
Public safety	-	-	452,611	452,611
Public works	-	-	69	4,410,424
Human services	209,925	-	378,683	5,834,902
Health programs	-	-	21,135	1,575,510
Economic development programs	-	-	2,152,049	2,152,049
Other purposes	-	-	3,636,082	3,636,082
Total restricted	209,925	513,707	7,391,444	19,326,100
Committed:				
Capital improvements	-	-	86,317	86,317
Public safety	-	-	32,744	32,744
Public works	-	-	86,676	86,676
Other purposes	-	-	29,056	29,056
Total committed	-	-	234,793	234,793
Assigned:				
Legislative and executive	-	-	-	16,508
Judicial	-	-	-	1,879
Public safety	-	-	-	43,800
Public works	-	-	-	4,892
Other purposes	-	-	-	275
Total assigned	-	-	-	67,354
Unassigned (deficit)	-	-	-	7,571,031
Total fund balances	\$ 209,925	\$ 513,707	\$ 7,636,570	\$ 27,495,063

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (SEE ACCOUNTANT'S COMPILATION REPORT)

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 2017 was \$119,805.

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, 2017, health care facility revenue bonds outstanding aggregated \$2,860,000.

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, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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 \$2,552,605 as of December 31, 2017, 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, 2017. 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, 2017, cash and cash equivalents of \$627,921 are held for these purposes. These cash and cash equivalents are held and managed by the County and are presented on the County's financial statements as "restricted assets: equity in pooled cash and cash equivalents". It is anticipated that future inflation costs will be financed in part from interest. The remaining portion of anticipated future inflation costs (including inadequate interest, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by taxpayers.

NOTE 23 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 67,354
Motor vehicle & gas tax	28,016
Senior center capital projects	1
Nonmajor governmental	<u>124,022</u>
Total	<u>\$ 219,393</u>

NOTE 24 - TAX ABATEMENTS

The County was part of multiple Enterprise Zone (EZ) tax abatement agreements with local businesses. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements.

HENRY COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 24 - TAX ABATEMENTS (Continued)

The County entered into multiple property tax abatement agreements with property owners under The Ohio Community Reinvestment Area ("CRA") program. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the County designates areas to encourage revitalization of the existing housing stock and the development of new structures.

The total taxes abated by the two types of agreements for the County in 2017 was \$637,464.

NOTE 25 – DISCONTINUED OPERATIONS

During 2017 the County closed Country View Haven. All capital assets besides the facility were disposed of during 2017.

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 FOUR YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>				
County's proportion of the net pension liability	0.087561%	0.093118%	0.094444%	0.094444%
County's proportionate share of the net pension liability	\$ 16,438,222	\$ 13,347,030	\$ 9,276,889	\$ 9,067,355
County's covered payroll	\$ 9,646,683	\$ 9,042,375	\$ 9,564,533	\$ 11,231,962
County's proportionate share of the net pension liability as a percentage of its covered payroll	170.40%	147.61%	96.99%	80.73%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%
<i>Combined Plan:</i>				
County's proportion of the net pension asset	0.053086%	0.053680%	0.044935%	0.044935%
County's proportionate share of the net pension asset	\$ 24,426	\$ 21,590	\$ 14,090	\$ 3,840
County's covered payroll	\$ 206,642	\$ 158,975	\$ 164,258	\$ 167,600
County's proportionate share of the net pension asset as a percentage of its covered payroll	11.82%	13.58%	8.58%	2.29%
Plan fiduciary net position as a percentage of the total pension asset	116.55%	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>				
County's proportion of the net pension asset	0.047667%	0.039040%	n/a	n/a
County's proportionate share of the net pension asset	\$ 165	\$ 149	n/a	n/a
County's covered payroll	\$ 247,453	\$ 214,425	n/a	n/a
County's proportionate share of the net pension asset as a percentage of its covered payroll	0.07%	0.07%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.40%	103.91%	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the County's measurement date which is the prior year-end.

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
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 1,152,341	\$ 1,157,602	\$ 1,085,085	\$ 1,147,744
Contributions in relation to the contractually required contribution	<u>(1,152,341)</u>	<u>(1,157,602)</u>	<u>(1,085,085)</u>	<u>(1,147,744)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 8,864,162	\$ 9,646,683	\$ 9,042,375	\$ 9,564,533
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 23,171	\$ 24,797	\$ 19,077	\$ 19,711
Contributions in relation to the contractually required contribution	<u>(23,171)</u>	<u>(24,797)</u>	<u>(19,077)</u>	<u>(19,711)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 178,238	\$ 206,642	\$ 158,975	\$ 164,258
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 29,994	\$ 23,508	\$ 26,091	
Contributions in relation to the contractually required contribution	<u>(29,994)</u>	<u>(23,508)</u>	<u>(26,091)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	\$ 299,940	\$ 247,453	\$ 274,642	
Contributions as a percentage of covered payroll	10.00%	9.50%	9.50%	

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,460,155	\$ 1,135,250	\$ 1,204,980	\$ 1,043,150	\$ 1,002,088	\$ 482,900
<u>(1,460,155)</u>	<u>(1,135,250)</u>	<u>(1,204,980)</u>	<u>(1,043,150)</u>	<u>(1,002,088)</u>	<u>(482,900)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,231,962	\$ 11,352,500	\$ 12,049,800	\$ 11,694,507	\$ 12,325,571	\$ 6,898,571
13.00%	10.00%	10.00%	8.92%	8.13%	7.00%
\$ 21,788	\$ 19,195	\$ 16,358	\$ 18,743	\$ -	\$ -
<u>(21,788)</u>	<u>(19,195)</u>	<u>(16,358)</u>	<u>(18,743)</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 167,600	\$ 241,447	\$ 205,761	\$ 193,426	\$ -	\$ -
13.00%	7.95%	7.95%	9.69%	8.13%	7.00%

HENRY COUNTY, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.

HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE			
<u>PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</u>			
<i>SNAP Cluster:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5525	\$ 137,128
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>PASSED THROUGH THE OHIO DEPARTMENT SERVICES AGENCY</u>			
<u>OFFICE OF HOUSING AND COMMUNITY PARTNERSHIP</u>			
<i>Community Development Block Grants/State's Program:</i>			
FY 15 Formula Grant	14.228	B-F-15-1BF-1	32,800
FY 16 Target of Opportunities	14.228	B-D-16-1BF-1	200,000
FY 16 Formula Grant	14.228	B-F-16-1BF-1	390,781
FY 16 Chip CDBG Grant	14.228	B-C-16-1BF-1	60,035
Community Development Block Grant Revolving Loan	14.228	N/A	241,602
Total CDBG/State's Program			<u>925,218</u>
HOME Investment Partnership Program: FY16 Chip Home	14.239	B-C-16-1BF-2	391,410
Total U.S. Department of Housing and Urban Development			<u>1,316,628</u>
U.S. DEPARTMENT OF LABOR			
<u>PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</u>			
<u>VIA AREA 7 WORKFORCE INVESTMENT BOARD</u>			
<i>Employment Service Cluster:</i>			
Employment Service/Wagner-Peyser Funded Activities	17.207	2016-35-1	2,965
<i>Workforce Innovation and Opportunity Act (WIOA) Cluster:</i>			
WIOA Adult Program	17.258	2016-35-1	64,320
WIOA Youth Program	17.259	2016-35-1	1,117
CCEMP WIOA Youth Program	17.259	2016-35-1	31,686
Total Youth Program			<u>32,803</u>
WIOA Dislocated Worker Program	17.278	2016-35-1	9,340
Total WIOA Cluster			<u>106,463</u>
Total U.S. Department of Labor			<u>109,428</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<u>PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION</u>			
<i>Transit Services Programs Cluster:</i>			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	OCPX-035-010-151	41,796

---(continued)

HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</u>			
<i>Promoting Safe and Stable Families:</i>			
Caseworker Visits	93.556	G-1617-11-5525	983
Caseworker Visits Administration	93.556	G-1617-11-5525	98
ESSA Preservation	93.556	G-1617-11-5525	15,588
ESSA Preservation Operating	93.556	G-1617-11-5525	3,374
ESSA Reunification	93.556	G-1617-11-5525	5,468
ESSA Reunification Operating	93.556	G-1617-11-5525	3,725
Total Promoting Safe and Stable Families			<u>29,236</u>
<i>TANF Cluster:</i>			
Temporary Assistance for Needy Families (TANF)	93.558	G-1617-11-5525	512,213
Child Support Enforcement	93.563	N/A	333,836
<i>CCDF Cluster:</i>			
Child Care and Development Block Grant Cluster	93.575	G-1617-11-5525	23,389
Child Abuse & Neglect	93.590	G-1617-11-5525	1,650
<i>Stephanie Tubbs Jones Child Welfare Services Program:</i>			
Child Welfare Services-Title IV-B	93.645	G-1617-11-5525	39,120
Child Welfare Services-Title IV-B Admin	93.645	G-1617-11-5525	3,912
Total Stephanie Tubbs Jones Child Welfare Services Program			<u>43,032</u>
<i>Foster Care-Title IV-E:</i>			
Title IV-E Foster Care Services	93.658	G-1617-11-5525	435,932
IV-E Administration & Training - Foster Care	93.658	G-1617-11-5525	38,409
Total Foster Care-Title IV-E			<u>474,341</u>
<i>Adoption Assistance:</i>			
IV-E Administration & Training	93.659	G-1617-11-5525	36,784
Non-Recurring Adoption	93.659	G-1617-11-5525	1,734
Total Adoption Assistance			<u>38,518</u>
Social Services Block Grant	93.667	G-1617-11-5525	283,994
Federal Chafee Foster Care Independence Program	93.674	G-1617-11-5525	4,896
Children's Health Insurance Program	93.767	G-1617-11-5525	897
Total Passed Through the Ohio Job and Family Services			<u>1,746,002</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES</u>			
Social Services Block Grant (Title XX)	93.667	N/A	<u>24,303</u>

---(continued)

**HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	CASH FEDERAL DISBURSEMENTS
<u>PASSED THROUGH THE OHIO DEPARTMENT OF MEDICAID</u>			
<i>Medicaid Cluster:</i>			
Medical Assistance Program - ODJFS	93.778	N/A	356,417
Medical Assistance Program - ODODD	93.778	N/A	<u>77,901</u>
Total Passed Through the Ohio Department of Medicaid			434,318
Total All Social Services Block Grant - CFDA #93.667			308,297
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO SECRETARY OF STATE</u>			
<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	51,617
Title III Part C - Nutrition Services Total Aging Cluster	93.045	N/A	<u>69,905</u> <u>121,522</u>
Total U.S. Department of Health and Human Services			<u>2,326,145</u>
<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 2016 EMPG	97.042	EMW-2016-EP-00064	<u>52,655</u>
Total Federal Financial Assistance			<u>\$ 3,983,780</u>

Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Henry County under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget ("OMB") Uniform Administrative Requirements, Cost Principles of Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operations of Henry County, it is not intended to and does not present the financial position, changes in net position or cash flows of Henry County.

NOTE 2 - 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 in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, 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 are not allowable or are limited as to reimbursement. Henry County has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. Passthrough entity identifying numbers are presented where available.

NOTE 3 - SUBRECIPIENTS

Henry County had no subrecipients in 2017.

NOTE 4 - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The current cash balance of Henry County's local program income account as of December 31, 2017 is \$697,143.

NOTE 5 - MATCHING REQUIREMENTS

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Henry County Board of Commissioners
Napoleon, Ohio:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio (the "County") as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 29, 2018

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITORS' REPORT

To the Henry County Board of Commissioners
Napoleon, Ohio:

Report on Compliance for Each Major Federal Program

We have audited Henry County, Ohio's (the "County") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of compliance requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 29, 2018

HENRY COUNTY, OHIO
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2017

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weaknesses?	None noted
Noncompliance material to the financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weaknesses?	None noted
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
• CFDA 14.228 – Community Development Block Grant/State’s Program	
• CFDA 14.239 – Home Investment Partnership Program	
• CFDA 93.558 – Temporary Assistance for Needy Families	
Dollar threshold to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings and Questioned Costs

None noted

Financial Statement Prior Audit Findings

Finding 2016-001 – Special Levy Revenue

The County recorded property tax revenues in the Senior Center Debt Service fund that were levied for the Senior Center Capital Projects fund. Additional, capital outlay expenditures that were associated with the project were recorded in the Senior Center Debt Service fund rather than the Senior Center Capital Projects fund.

Status: *Corrected in 2017.*

Finding 2016-002 – Amended Official Certificates of Estimated Resources

The County had amended official certificates of estimated resources approved by the budget commission at the end of each month. However, rather than submitting an estimate of revenue collections for the year, the revenue columns included year to date actual amounts only. Using improper amounts for the amended official certificate of estimated resources caused the “Original Budget” column on the County’s budget vs. actual statements to vary from the first amended official certificate of estimated resources.

Status: *Corrected in 2017.*



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
SEPTEMBER, 13 2018