

**HOLMES COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS***  
***(Audited)***

*FOR THE YEAR ENDED*  
*DECEMBER 31, 2017*





# Dave Yost • Auditor of State

County Commissioners  
Holmes County  
75 E Clinton St, Suite 107  
Millersburg, OH 44654

We have reviewed the *Independent Auditor's Report* of Holmes County, prepared by Julian & Grube, Inc., 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. Holmes 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

September 6, 2018

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**HOLMES COUNTY**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

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## Independent Auditor's Report

Holmes County  
2 Court Street, Suite 14  
Millersburg, Ohio 44654

To the Board of Commissioners:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Holmes County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Holmes County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Holmes 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, County Board of Developmental Disabilities, and Motor Vehicle License and Gas Tax funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed on Note 3.C. to the basic financial statements, the County had a prior period adjustment in net position due to the County enacting a self-insurance internal service fund from money that was earmarked in an agency fund for this purpose. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

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

***Supplementary Information***

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018, on our consideration of Holmes County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holmes County's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
June 28, 2018



## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

The management's discussion and analysis of Holmes 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 notes to the basic financial statements and 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 \$1,225,754 from the 2016 net position of \$50,136,224 as restated (see Note 3.C). Net position of governmental activities increased \$1,220,245, which represents an 2.82% increase from the 2016 net position of \$43,338,158 as restated (see Note 3.C). Net position of business-type activities increased \$5,509 or 0.08% from the 2016 net position of \$6,798,066.
- General revenues accounted for \$18,522,929 or 47.32% of total governmental activities revenue. Program specific revenues accounted for \$20,620,834 or 52.68% of total governmental activities revenue.
- The County had \$37,923,518 in governmental activities expenses; \$20,620,834, or 54.37%, of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$18,522,929 were adequate to provide for these programs.
- The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$14,882,956 in 2017, an increase of \$754,461 or 5.34% from 2016. The general fund had expenditures and other financing uses of \$12,597,321 in 2017, a decrease of \$1,556,932 or 11.00% from 2016. The net changes in revenues and expenditures contributed to the general fund balance increase of \$2,285,635 or 28.71% from 2016 to 2017.
- The county board of developmental disabilities (DD) fund, a major governmental fund, had revenues and other financing sources of \$6,113,585 in 2017, an increase of \$492,280 or 8.76% from 2016. The DD fund had expenditures and other financing uses of \$5,957,077 in 2017, an increase of \$255,021 or 4.47% from 2016. The net changes in revenues and expenditures contributed to the DD fund balance increase of \$156,508 or 7.41% from 2016 to 2017.
- The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$5,468,769 in 2017, a decrease of \$188,070 or 3.32% from 2016. The motor vehicle license and gas tax fund had expenditures of \$5,901,471 in 2017, an increase of \$80,910 or 1.39% from 2016. The motor vehicle license and gas tax fund balance decreased \$432,702 or 25.32% from 2016 to 2017.
- Net position for the business-type activities, which consists of the sewer district, increased in 2017 by \$5,509 or 0.08%. from the 2016 net position of \$6,798,066.

#### **Using the 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.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

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 non-major funds presented in total in one column. In the case of the County, there are three major governmental funds. The general fund is the largest major fund.

#### **Reporting 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 net 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 in Ohio restricting revenue growth, 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 17-19 of this report.

#### **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, county board of developmental disabilities (DD) and motor vehicle license and gas tax. The County's major enterprise fund is the sewer district. The analysis of the County's major governmental and proprietary funds begins on page 12.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

#### ***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 expendable resources, as well as on balances of expendable 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. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 20-23 and the budgetary statements for the general and major special revenue funds can be found on pages 24-26 of this report.

#### ***Proprietary Funds***

The County maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its sewer district. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its employee medical and prescription drug self-insurance program. The basic proprietary fund financial statements can be found on pages 27-31 of this report.

#### ***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 statement 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. Agency funds are the County's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 32 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 33-86 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 County's net pension liability. The required supplementary information can be found on pages 88-94 of this report.

**HOLMES COUNTY, OHIO**

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

**Government-Wide Financial Analysis**

The statement of net position provides the perspective of the County as a whole. The County has restated governmental activities net position at December 31, 2016 to reflect the establishment of an employee medical and prescription drug self-insurance program which became effective on January 1, 2017 (see Note 3.C). The table below provides a summary of the County's net position at December 31, 2017 and December 31, 2016.

	<b>Net Position</b>					
	Governmental Activities	Restated Governmental Activities	Business-type Activities	Business-type Activities	Total	Restated Total
	2017	2016	2017	2016	2017	2016
<u>Assets</u>						
Current and other assets	\$ 41,770,749	\$ 33,736,939	\$ 1,137,947	\$ 921,151	\$ 42,908,696	\$ 34,658,090
Capital assets, net	33,494,971	32,522,513	11,908,369	12,311,525	45,403,340	44,834,038
Total assets	<u>75,265,720</u>	<u>66,259,452</u>	<u>13,046,316</u>	<u>13,232,676</u>	<u>88,312,036</u>	<u>79,492,128</u>
<u>Deferred Outflows of Resources</u>	<u>8,213,246</u>	<u>6,136,781</u>	<u>53,102</u>	<u>40,466</u>	<u>8,266,348</u>	<u>6,177,247</u>
<u>Liabilities</u>						
Current and other liabilities	1,794,929	1,029,311	107,423	124,508	1,902,352	1,153,819
Long-term liabilities outstanding:						
Due within one year	1,144,568	1,176,751	204,680	198,378	1,349,248	1,375,129
Net pension liability	21,466,058	16,904,415	138,864	106,202	21,604,922	17,010,617
Other amounts	<u>7,587,517</u>	<u>6,055,850</u>	<u>5,842,613</u>	<u>6,042,744</u>	<u>13,430,130</u>	<u>12,098,594</u>
Total liabilities	<u>31,993,072</u>	<u>25,166,327</u>	<u>6,293,580</u>	<u>6,471,832</u>	<u>38,286,652</u>	<u>31,638,159</u>
<u>Deferred Inflows of Resources</u>	<u>6,927,491</u>	<u>6,801,020</u>	<u>2,263</u>	<u>3,244</u>	<u>6,929,754</u>	<u>6,804,264</u>
<u>Net Position</u>						
Net investment in capital assets	29,822,918	30,983,079	5,866,262	6,075,369	35,689,180	37,058,448
Restricted	11,326,735	10,792,080	-	-	11,326,735	10,792,080
Unrestricted	<u>3,408,750</u>	<u>1,562,999</u>	<u>937,313</u>	<u>722,697</u>	<u>4,346,063</u>	<u>2,285,696</u>
Total net position	<u>\$ 44,558,403</u>	<u>\$ 43,338,158</u>	<u>\$ 6,803,575</u>	<u>\$ 6,798,066</u>	<u>\$ 51,361,978</u>	<u>\$ 50,136,224</u>

*Net Pension Liability*

The County applies 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 provides standards for reporting 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.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

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.

Under the 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.

#### *Analysis of Net Position*

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 of resources exceeded liabilities and deferred inflows of resources by \$51,361,978. This amounts to \$44,558,403 in governmental activities and \$6,803,575 in business-type activities.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 51.41% of total governmental and business-type assets. Capital assets include land, improvements other than buildings, buildings and improvements, machinery and equipment, vehicles, construction in progress, and infrastructure. The net investment in capital assets at December 31, 2017, was \$35,689,180. These capital assets are used to provide services to citizens and are not available for future spending.

A portion of the County's net position, \$11,326,735 or 22.05%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$4,346,063 may be used to meet the government's ongoing obligations to citizens and creditors.

Overall, total current assets increased over the prior year primarily in cash and cash equivalents which increased due to current year operations. In addition, current assets increased as the County established a health benefits self-insurance program effective January 1, 2017. Monies previously reported in an agency fund have been reclassified to the governmental activities and are being used in the self-insurance program. Capital asset, net increased as acquisitions exceeded depreciation expense in 2017. During 2017, the County added approximately \$2.6 million in construction in progress related to road improvement and resurfacing/paving projects.

Deferred outflows related to pension increased primarily due to a change in assumptions used by OPERS in the calculation of the retirement systems net pension liability.

Current and other liabilities increased \$748,533, or 64.87 percent, from 2016 primarily due to contracts payable related to a road paving project undertaken by the County in 2017 and due to the reporting of claims payable associated with the County's newly established health benefits self-insurance program.

Long-term liabilities increased \$5,899,960 primarily in the area of net pension liability (\$4,594,305 increase). This increase is the result of the overall pension systems' liability increase and the County reporting its proportional share of that increase.

Deferred inflows remained comparable to the prior year, increasing 1.84 percent. The County's deferred inflows relate to property taxes levied for the next fiscal year and the County's net pension liability.

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**HOLMES COUNTY, OHIO**

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

The County has restated governmental activities net position at December 31, 2016 to reflect the establishment of an employee medical and prescription drug self-insurance program which became effective on January 1, 2017 (see Note 3.C). The following table shows the changes in net position for governmental and business-type activities for 2017 and 2016.

	<b>Change in Net Position</b>					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2017 Total	2016 Total
	2017	2017	2016	2016		
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 8,225,256	\$ 1,312,780	\$ 7,315,457	\$ 1,313,449	\$ 9,538,036	\$ 8,628,906
Operating grants and contributions	12,272,443	-	11,717,748	-	12,272,443	11,717,748
Capital grants and contributions	123,135	-	1,356,317	702,189	123,135	2,058,506
<b>Total program revenues</b>	<u>20,620,834</u>	<u>1,312,780</u>	<u>20,389,522</u>	<u>2,015,638</u>	<u>21,933,614</u>	<u>22,405,160</u>
General revenues:						
Property taxes	6,978,506	-	6,433,750	-	6,978,506	6,433,750
Sales tax	9,092,543	-	7,561,526	-	9,092,543	7,561,526
Unrestricted grants	1,962,356	-	1,844,455	-	1,962,356	1,844,455
Investment earnings	192,894	-	174,519	-	192,894	174,519
Other	296,630	14,009	201,572	67,709	310,639	269,281
<b>Total general revenues</b>	<u>18,522,929</u>	<u>14,009</u>	<u>16,215,822</u>	<u>67,709</u>	<u>18,536,938</u>	<u>16,283,531</u>
<b>Total revenues</b>	<u>39,143,763</u>	<u>1,326,789</u>	<u>36,605,344</u>	<u>2,083,347</u>	<u>40,470,552</u>	<u>38,688,691</u>
<b>Expenses</b>						
Program Expenses:						
General government:						
Legislative and executive	7,522,709	-	8,114,437	-	7,522,709	8,114,437
Judicial	2,077,914	-	2,158,711	-	2,077,914	2,158,711
Public safety	5,584,326	-	5,299,354	-	5,584,326	5,299,354
Public works	7,817,960	-	7,080,091	-	7,817,960	7,080,091
Health	582,131	-	419,858	-	582,131	419,858
Human services	13,756,171	-	13,393,354	-	13,756,171	13,393,354
Conservation and recreation	396,004	-	481,570	-	396,004	481,570
Interest and fiscal charges	186,303	-	161,311	-	186,303	161,311
Sewer district	-	1,321,280	-	1,586,992	1,321,280	1,586,992
<b>Total expenses</b>	<u>37,923,518</u>	<u>1,321,280</u>	<u>37,108,686</u>	<u>1,586,992</u>	<u>39,244,798</u>	<u>38,695,678</u>
Excess of revenues over (under) expenses	1,220,245	5,509	(503,342)	496,355	1,225,754	(6,987)
Special items	-	-	-	(12,114,776)	-	(12,114,776)
Transfers	-	-	6,758,760	(6,758,760)	-	-
<b>Change in net position</b>	<u>1,220,245</u>	<u>5,509</u>	<u>6,255,418</u>	<u>(18,377,181)</u>	<u>1,225,754</u>	<u>(12,121,763)</u>
<b>Net position at beginning of year (restated)</b>	<u>43,338,158</u>	<u>6,798,066</u>	<u>37,082,740</u>	<u>25,175,247</u>	<u>50,136,224</u>	<u>62,257,987</u>
<b>Net position at end of year</b>	<u>\$ 44,558,403</u>	<u>\$ 6,803,575</u>	<u>\$ 43,338,158</u>	<u>\$ 6,798,066</u>	<u>\$ 51,361,978</u>	<u>\$ 50,136,224</u>

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

#### Governmental Activities

Governmental activities net position increased by \$1,220,245 in 2017 as total revenues once again exceeded expenses. Total program revenues increased over 2016 primarily due to an increase in operating grants and contributions and charges for services revenue.

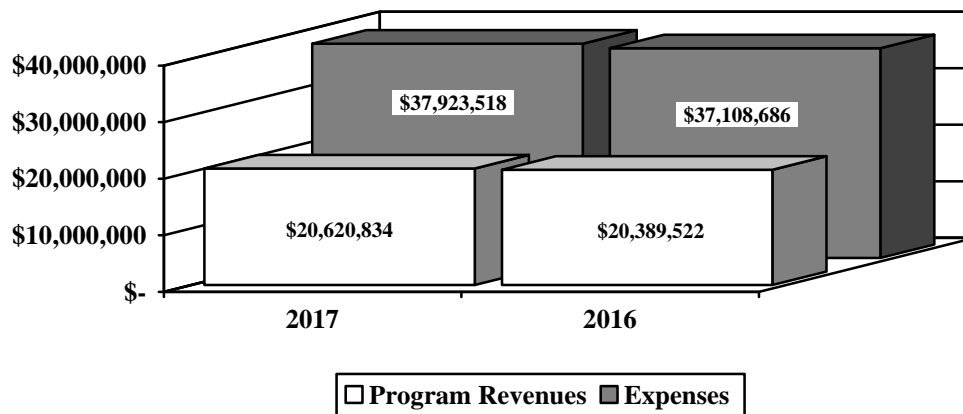
Total governmental activities expenses increased \$814,832 from 2016. The increase is primarily due to Pension expense for the increase in expenses. Pension expense for governmental activities was \$3,824,790 for 2017 and \$2,048,275 for 2016. Pension expense is reported as a program expense of the program benefitting from the employee's service. Human services, which support the operations of the county home, county board of DD, job and family services (public assistance), veteran services, and the children services board, accounted for \$13,756,171 of expenses, or 36.27% of total governmental expenses of the County. These expenses were funded by \$2,345,113 in charges to users of services and \$6,026,624 in operating grants and contributions in 2017. General government expenses, which include legislative and executive and judicial programs, accounted for \$9,600,623 or 25.32% of total governmental expenses. General government expenses were funded by \$4,066,901 of direct charges to users in 2017. Public works expenses, the County's third largest category of expenses, totaled \$7,817,960 in 2017 or 20.62% of total governmental expenses. The County's public works programs consist primarily of motor vehicle license and gas tax program, which funds road and other infrastructure repairs and improvements throughout the County.

Operating grants and contributions, which is mostly intergovernmental revenue from the State and Federal governments, totaled \$12,272,443 in 2017, compared to \$11,717,748 in 2016. These revenues are restricted to a particular program or purpose. In 2017, the County saw an increase in grants supporting public assistance programs and public works programs.

General revenues totaled \$18,522,929 and amounted to 47.32% of total revenues. These revenues primarily consist of property and sales tax revenue of \$16,071,049 or 86.76% of total general revenues in 2017. Revenues from property taxes increased 8.47% and sales taxes increased 20.25%. The other primary source of general revenues is grants and entitlements not restricted to specific programs, which makes up \$1,962,356 or 10.59% of the total. These revenues consist primarily of local government and local government revenue assistance.

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**





**HOLMES COUNTY, OHIO**

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

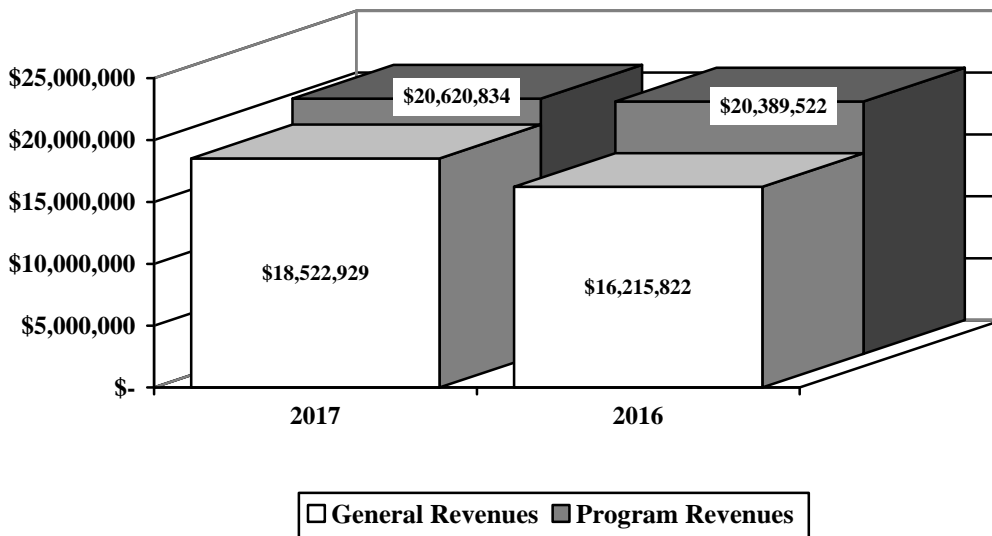
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2017 and 2016. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted State grants and entitlements).

	<b>Governmental Activities</b>			
	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program Expenses:				
General government:				
Legislative and executive	\$ 7,522,709	\$ 3,370,233	\$ 8,114,437	\$ 4,683,937
Judicial	2,077,914	1,642,095	2,158,711	1,683,612
Public safety	5,584,326	4,729,169	5,299,354	4,049,556
Public works	7,817,960	1,355,773	7,080,091	419,826
Health	582,131	364,281	419,858	225,957
Human services	13,756,171	5,384,434	13,393,354	5,136,203
Conservation and recreation	396,004	396,004	481,570	481,570
Interest and fiscal charges	186,303	60,695	161,311	38,503
<b>Total</b>	<b>\$ 37,923,518</b>	<b>\$ 17,302,684</b>	<b>\$ 37,108,686</b>	<b>\$ 16,719,164</b>

The dependence upon general revenues for governmental activities is apparent, with 45.63% of expenses supported through taxes and other general revenues during 2017.

The graph below compares the County's general and program revenues.

**Governmental Activities - General and Program Revenues**

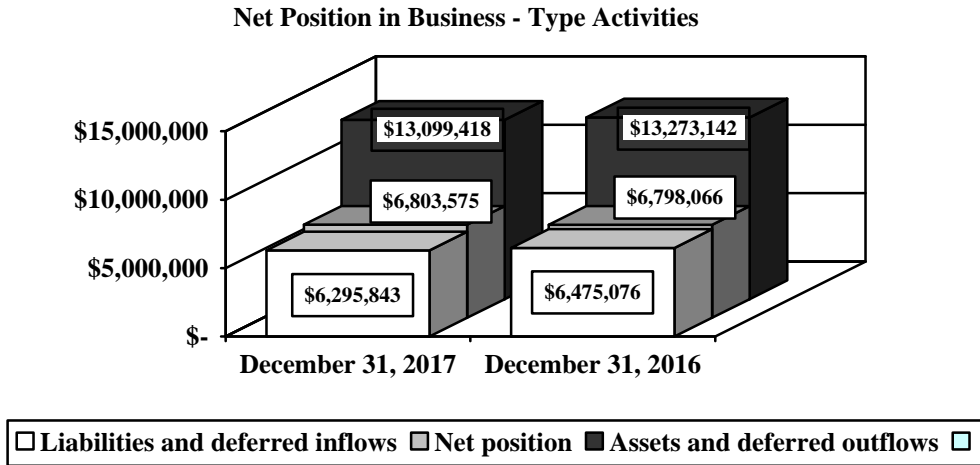


**HOLMES COUNTY, OHIO**

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

**Business-Type Activities**

During 2017, the sewer district enterprise fund had program revenues of \$1,312,780, general revenues of \$14,009, and expenses of \$1,321,280 for fiscal year 2017. The net position of the sewer fund increased \$5,509 or 0.08% from 2016 net position. 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 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, unreserved 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 reported on the balance sheet on page 20) reported a combined fund balance of \$25,452,196, which is \$3,380,593 greater than last year's total of \$22,071,603. The table below shows the fund balance and the total change in fund balance as of December 31, 2017 for all major and nonmajor governmental funds.

	Fund Balances 12/31/17	Fund Balances 12/31/16	Increase (Decrease)
Major funds:			
General	\$ 10,246,296	\$ 7,960,661	\$ 2,285,635
County Board of DD	2,269,694	2,113,186	156,508
Motor Vehicle License and Gas Tax	1,276,157	1,708,859	(432,702)
Nonmajor governmental funds	<u>11,660,049</u>	<u>10,288,897</u>	<u>1,371,152</u>
Total	<u>\$ 25,452,196</u>	<u>\$ 22,071,603</u>	<u>\$ 3,380,593</u>

**HOLMES COUNTY, OHIO**

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

**General Fund**

The County's general fund balance increased \$2,285,635. The tables that follow assist in illustrating the revenues and expenditures of the general fund.

	<u>2017</u>	<u>2016</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 10,193,275	\$ 9,636,339	5.78 %
Charges for services	2,413,179	2,432,849	(0.81) %
Licenses and permits	364,914	5,363	6,704.29 %
Fines and forfeitures	77,634	95,659	(18.84) %
Intergovernmental	1,422,045	1,553,656	(8.47) %
Investment income	192,894	174,519	10.53 %
Other	<u>202,346</u>	<u>210,269</u>	(3.77) %
Total	<u>\$ 14,866,287</u>	<u>\$ 14,108,654</u>	5.37 %

Taxes revenue, which includes primarily real property and sales taxes, represents 68.57% of all general fund revenues. Most of the increase in taxes revenue came from sales taxes revenue, which increased \$312,163 or 4.45%. Licenses and permits revenue increased due an increase of \$360,000 in certificate of title charges. Fines and forfeitures revenues decreased due to a decrease in juvenile fees. Investment income increased due to rising interest rates and improved economic conditions. All other revenues remained comparable to 2016.

	<u>2017</u>	<u>2016</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Expenditures</u></b>			
General government			
Legislative and executive	\$ 4,442,225	\$ 6,156,959	(27.85) %
Judicial	1,885,887	1,892,125	(0.33) %
Public safety	4,412,757	4,295,119	2.74 %
Health	92,604	92,425	0.19 %
Human services	557,287	581,020	(4.08) %
Conservation and recreation	396,004	481,570	(17.77) %
Debt service	<u>2,377</u>	<u>2,378</u>	(0.04) %
Total	<u>\$ 11,789,141</u>	<u>\$ 13,501,596</u>	(12.68) %

Total general fund expenditures decreased 12.68% in 2017. The largest decrease is in legislative and executive expense which decreased \$1,714,734 due to decreased contingencies expenses. Conservation and recreation expense decreased due to a decrease in historical services grant expenditures. All other expenditure categories remained comparable to the prior year.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

#### ***County Board of DD***

The county board of developmental disabilities (DD) fund is a major governmental fund that accounts for the operation of a school and resident homes for the developmentally disabled. The DD fund had revenues and other financing sources of \$6,113,585 in 2017. The DD fund had expenditures and other financing uses of \$5,957,077 in 2017. The net changes in revenues and expenditures contributed to the DD fund balance increase of \$156,508 or 7.41% from 2016 to 2017.

#### ***Motor Vehicle License and Gas Tax Fund***

The motor vehicle license and gas tax fund is a major governmental fund that accounts for road and bridge repair and maintenance programs throughout the County. The fund had revenues and other financing sources of \$5,468,769 in 2017. Most of the fund's revenues are intergovernmental revenues from the State for motor vehicle licenses and gasoline taxes. The motor vehicle license and gas tax fund had expenditures of \$5,901,471 in 2017. The motor vehicle license and gas tax fund balance decreased \$432,702 or 25.32% from 2016 to 2017.

#### ***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.

Budgetary information is presented for the general fund, county board of DD fund and motor vehicle license and gas tax fund.

In the general fund, original budgeted revenues and other financing sources of \$10,137,060 were increased to \$10,941,782 in the final budget. Actual revenues and other financing sources of \$13,966,000 were higher than final budgeted revenues by \$3,024,218 or 27.64%. Sales taxes revenue was \$1,799,988 higher than in the final budget; this is due to the County conservatively budgeting sales taxes at \$5,500,000 each year.

Original budgeted expenditures and other financing uses in the general fund were \$14,161,498. This was increased to \$15,144,787 in the final budget. Actual expenditures and other financing uses of \$11,454,601 were \$3,690,186 lower than final budgeted expenditures and financing uses. All departments in the general fund had a positive budget variance, most of which were due to the County's conservative budget practices in budgeting for higher employee wages and benefits costs.

#### ***Proprietary Funds***

The County has two types of proprietary funds: enterprise funds and internal service funds. The County's enterprise fund provides the same type of information found in the government-wide financial statements for business-type activities, but in more detail. The County's internal service fund provides detailed information on the County's employee medical and prescription drug self-insurance program. The self-insurance internal service fund is included with the governmental activities for reporting on the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 27-31 of this report.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

#### Capital Assets and Debt Administration

##### *Capital Assets*

At the end of 2017, the County had \$45,403,340 (net of accumulated depreciation) invested in land, improvements other than buildings, buildings and improvements, machinery and equipment, vehicles, construction in progress, sewer mains and infrastructure. Of this total, \$33,494,971 was reported in governmental activities and \$11,908,369 was reported in business-type activities. The following table shows 2017 balances compared to 2016:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 1,652,028	\$ 1,652,028	\$ 98,503	\$ 98,503	\$ 1,750,531	\$ 1,750,531
Improvements other than buildings	507,694	287,204	-	-	507,694	287,204
Building and improvements	11,214,191	11,906,227	7,124,622	6,891,557	18,338,813	18,797,784
Machinery and equipment	1,530,073	1,658,531	332,732	324,801	1,862,805	1,983,332
Vehicles	1,752,836	2,058,480	-	-	1,752,836	2,058,480
Infrastructure	14,193,709	14,960,043	-	-	14,193,709	14,960,043
Sewer/water lines	-	-	4,352,512	4,530,709	4,352,512	4,530,709
Construction in progress	<u>2,644,440</u>	<u>-</u>	<u>-</u>	<u>465,955</u>	<u>2,644,440</u>	<u>465,955</u>
<b>Total</b>	<u>\$ 33,494,971</u>	<u>\$ 32,522,513</u>	<u>\$ 11,908,369</u>	<u>\$ 12,311,525</u>	<u>\$ 45,403,340</u>	<u>\$ 44,834,038</u>

See Note 8 in the notes to the basic financial statements for detail on the County's capital assets.

The County's largest governmental activities capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 42.28% of the County's total governmental capital assets.

The County's second largest business-type capital asset category is sewer/water lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's sewer and water lines (cost less accumulated depreciation) represents approximately 36.55% of the County's total business-type capital assets.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

#### *Debt Administration*

At December 31, 2017 the County had \$11,425,795 in general obligation bonds, capital lease obligations, loans payable. Of this total, \$546,672 is due within one year and \$10,879,123 is due in more than one year. The following table summarizes the outstanding debt.

	<b>Outstanding Debt, at Year End</b>			
	Governmental Activities 2017	Business-Type Activities 2017	Governmental Activities 2016	Business-Type Activities 2016
Long-Term Obligations				
General obligation bonds	\$ 3,425,000	\$ 1,960,000	\$ 3,785,000	\$ 2,035,000
Capital lease obligations	43,871	-	73,856	-
USDA loan	-	2,368,000	-	2,408,000
ODOT loan	1,912,906	-	-	-
OPWC loans	-	1,716,018	-	1,795,168
Total	<u>\$ 5,381,777</u>	<u>\$ 6,044,018</u>	<u>\$ 3,858,856</u>	<u>\$ 6,238,168</u>

The County's total legal debt margin was \$19,695,101 at December 31, 2017 and the unvoted legal debt margin was \$6,473,953. See Note 10 in the notes to the basic financial statements for detail on governmental activities and business-type activities long-term obligations.

#### **Economic Factors and Next Year's Budget**

The County's population as of the 2010 census was 42,366, and the population estimate for 2017 is 43,909. At the end of 2017, the seasonally adjusted unemployment rate for the County was 3.0%, compared to the 4.7% State average and the 4.1% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2017. Budgeted revenues and other financing sources in the general fund for 2017 were \$10,941,782. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

#### **Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Honorable Jackie McKee, Holmes County Auditor, Clinton Street Office Building, 75 E. Clinton Street, Suite 107, Millersburg, Ohio 44654.

**HOLMES COUNTY, OHIO**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

	<b>Primary Government</b>			<b>Component Units</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Lynn Hope Industries, Inc.</b>	<b>Holmes County Airport Authority</b>	<b>Regional Planning Commission</b>
<b>Assets:</b>						
Equity in pooled cash and cash equivalents . . . . .	\$ 26,393,648	\$ 1,037,556	\$ 27,431,204	\$ -	\$ -	\$ 155,170
Cash and cash equivalents in segregated accounts . . . . .	323,849	-	323,849	458,743	51,437	-
Receivables:						
Sales taxes . . . . .	2,280,803	-	2,280,803	-	-	-
Real and other taxes . . . . .	6,958,591	-	6,958,591	-	-	-
Accounts . . . . .	765,268	99,764	865,032	27,439	405	500
Accrued interest . . . . .	12,497	-	12,497	-	-	-
Due from other governments . . . . .	4,429,052	-	4,429,052	-	-	-
Materials and supplies inventory . . . . .	493,253	408	493,661	-	67,385	418
Prepayments . . . . .	81,544	-	81,544	-	2,441	-
Net pension asset . . . . .	32,244	219	32,463	-	-	354
Capital assets:						
Land and construction in progress . . . . .	4,296,468	98,503	4,394,971	-	54,357	-
Depreciable capital assets, net . . . . .	29,198,503	11,809,866	41,008,369	19,165	6,372,029	-
Total capital assets, net . . . . .	33,494,971	11,908,369	45,403,340	19,165	6,426,386	-
Total assets . . . . .	75,265,720	13,046,316	88,312,036	505,347	6,548,054	156,442
<b>Deferred outflows of resources:</b>						
Unamortized deferred charges on debt refunding . . . . .	43,721	-	43,721	-	-	-
Pension - OPERS . . . . .	7,829,875	53,102	7,882,977	-	-	85,638
Pension - STRS . . . . .	339,650	-	339,650	-	-	-
Total deferred outflows of resources . . . . .	8,213,246	53,102	8,266,348	-	-	85,638
Total assets and deferred outflows of resources . . . . .	83,478,966	13,099,418	96,578,384	505,347	6,548,054	242,080
<b>Liabilities:</b>						
Accounts payable . . . . .	625,306	40,319	665,625	497	4,106	-
Contracts payable . . . . .	491,034	-	491,034	-	-	-
Accrued wages and benefits payable . . . . .	428,640	2,385	431,025	-	-	2,834
Compensated absences payable . . . . .	-	-	-	-	-	10,989
Due to other governments . . . . .	153,719	6,369	160,088	-	-	438
Other accrued expenses . . . . .	-	-	-	1,074	-	-
Accrued interest payable . . . . .	9,920	58,350	68,270	-	-	-
Claims payable . . . . .	86,310	-	86,310	-	-	-
Unearned revenue . . . . .	-	-	-	-	9,208	-
Long-term liabilities:						
Due within one year . . . . .	1,144,568	204,680	1,349,248	15,239	-	-
Due in more than one year:						
Net pension liability . . . . .	21,466,058	138,864	21,604,922	-	-	223,949
Other amounts due in more than one year . . . . .	7,587,517	5,842,613	13,430,130	8,479	-	-
Total liabilities . . . . .	31,993,072	6,293,580	38,286,652	25,289	13,314	238,210
<b>Deferred inflows of resources:</b>						
Property taxes levied for the next fiscal year . . . . .	6,614,000	-	6,614,000	-	-	-
Pension - OPERS . . . . .	212,225	2,263	214,488	-	-	8,805
Pension - STRS . . . . .	101,266	-	101,266	-	-	-
Total deferred inflows of resources . . . . .	6,927,491	2,263	6,929,754	-	-	8,805
Total liabilities and deferred inflows of resources . . . . .	38,920,563	6,295,843	45,216,406	25,289	13,314	247,015
<b>Net position:</b>						
Net investment in capital assets . . . . .	29,822,918	5,866,262	35,689,180	-	5,751,890	-
Restricted for:						
Capital projects . . . . .	856,073	-	856,073	-	-	-
Debt service . . . . .	102,135	-	102,135	-	-	-
Public works projects . . . . .	3,231,629	-	3,231,629	-	-	-
Public safety programs . . . . .	755,995	-	755,995	-	-	-
Human services programs . . . . .	4,827,567	-	4,827,567	-	-	-
Real estate assessment . . . . .	840,541	-	840,541	-	-	-
Court special projects . . . . .	246,272	-	246,272	-	-	-
Other purposes . . . . .	466,523	-	466,523	-	-	-
Unrestricted (deficit) . . . . .	3,408,750	937,313	4,346,063	480,058	782,850	(4,935)
Total net position (deficit) . . . . .	\$ 44,558,403	\$ 6,803,575	\$ 51,361,978	\$ 480,058	\$ 6,534,740	\$ (4,935)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES 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
<b>Governmental activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 7,522,709	\$ 3,713,567	\$ 438,909	\$ -
Judicial. . . . .	2,077,914	353,334	82,485	-
Public safety . . . . .	5,584,326	504,877	350,280	-
Public works . . . . .	7,817,960	971,263	5,367,789	123,135
Health. . . . .	582,131	211,494	6,356	-
Human services . . . . .	13,756,171	2,345,113	6,026,624	-
Conservation and recreation . . . . .	396,004	-	-	-
Interest and fiscal charges . . . . .	186,303	125,608	-	-
Total governmental activities. . . . .	<u>37,923,518</u>	<u>8,225,256</u>	<u>12,272,443</u>	<u>123,135</u>
<b>Business-type activities:</b>				
Sewer District. . . . .	1,321,280	1,312,780	-	-
Total business-type activities . . . . .	<u>1,321,280</u>	<u>1,312,780</u>	<u>-</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 39,244,798</u>	<u>\$ 9,538,036</u>	<u>\$ 12,272,443</u>	<u>\$ 123,135</u>
<b>Component Units:</b>				
Lynn Hope Industries, Inc. . . . .	\$ 662,407	\$ 246,370	\$ 360,775	\$ -
Holmes County Airport Authority . . . . .	529,938	86,764	396,330	-
Regional Planning Commission. . . . .	200,234	78,161	134,000	-
Total component units . . . . .	<u>\$ 1,392,579</u>	<u>\$ 411,295</u>	<u>\$ 891,105</u>	<u>\$ -</u>
<b>General revenues:</b>				
Property taxes levied for:				
General fund . . . . .				
Human services - County Board of DD. . . . .				
Human services - County Home . . . . .				
Sales taxes . . . . .				
Grants and entitlements not restricted to specific programs . . . . .				
Investment earnings. . . . .				
Miscellaneous. . . . .				
Total general revenues. . . . .				
Change in net position . . . . .				
<b>Net position (deficit) at beginning of year (restated) . . . . .</b>				
<b>Net position (deficit) at end of year . . . . .</b>				

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

<b>Primary Government</b>			<b>Component Units</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Lynn Hope Industries, Inc.</b>	<b>Holmes County Airport Authority</b>	<b>Regional Planning Commission</b>
\$ (3,370,233)	\$ -	\$ (3,370,233)	\$ -	\$ -	\$ -
(1,642,095)	-	(1,642,095)	-	-	-
(4,729,169)	-	(4,729,169)	-	-	-
(1,355,773)	-	(1,355,773)	-	-	-
(364,281)	-	(364,281)	-	-	-
(5,384,434)	-	(5,384,434)	-	-	-
(396,004)	-	(396,004)	-	-	-
(60,695)	-	(60,695)	-	-	-
<u>(17,302,684)</u>	<u>-</u>	<u>(17,302,684)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(8,500)	(8,500)	-	-	-
-	(8,500)	(8,500)	-	-	-
<u>(17,302,684)</u>	<u>(8,500)</u>	<u>(17,311,184)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	(55,262)	-	-
-	-	-	-	(46,844)	-
-	-	-	-	-	11,927
-	-	-	<u>(55,262)</u>	<u>(46,844)</u>	<u>11,927</u>
2,894,734	-	2,894,734	-	-	-
3,118,891	-	3,118,891	-	-	-
964,881	-	964,881	-	-	-
9,092,543	-	9,092,543	-	-	-
1,962,356	-	1,962,356	-	-	-
192,894	-	192,894	3,219	26	-
296,630	14,009	310,639	71,714	73	-
<u>18,522,929</u>	<u>14,009</u>	<u>18,536,938</u>	<u>74,933</u>	<u>99</u>	<u>-</u>
1,220,245	5,509	1,225,754	19,671	(46,745)	11,927
43,338,158	6,798,066	50,136,224	460,387	6,581,485	(16,862)
<u>\$ 44,558,403</u>	<u>\$ 6,803,575</u>	<u>\$ 51,361,978</u>	<u>\$ 480,058</u>	<u>\$ 6,534,740</u>	<u>\$ (4,935)</u>

HOLMES COUNTY, OHIO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017

	General	County Board of DD	Motor Vehicle License and Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 9,457,672	\$ 2,141,311	\$ 462,350	\$ 11,066,642	\$ 23,127,975
Cash and cash equivalents in segregated accounts . . .	-	306,618	-	17,231	323,849
Receivables (net of allowance for uncollectibles):					
Sales taxes . . . . .	1,953,968	-	-	326,835	2,280,803
Real and other taxes . . . . .	2,739,518	3,346,375	-	872,698	6,958,591
Accounts . . . . .	111,147	37,012	2,633	614,476	765,268
Accrued interest . . . . .	12,497	-	-	-	12,497
Due from other funds . . . . .	3,965	-	-	-	3,965
Due from other governments . . . . .	690,631	145,112	2,734,086	859,223	4,429,052
Prepayments . . . . .	62,899	4,289	-	14,356	81,544
Materials and supplies inventory . . . . .	87,063	11,147	354,147	40,896	493,253
Total assets . . . . .	<u>\$ 15,119,360</u>	<u>\$ 5,991,864</u>	<u>\$ 3,553,216</u>	<u>\$ 13,812,357</u>	<u>\$ 38,476,797</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 146,118	\$ 121,288	\$ 12,783	\$ 345,117	\$ 625,306
Contracts payable . . . . .	-	-	-	491,034	491,034
Accrued wages and benefits payable . . . . .	177,927	88,949	47,261	114,503	428,640
Compensated absences payable . . . . .	-	-	1,504	-	1,504
Due to other funds . . . . .	-	-	-	3,965	3,965
Due to other governments . . . . .	31,868	21,353	7,278	93,220	153,719
Total liabilities . . . . .	<u>355,913</u>	<u>231,590</u>	<u>68,826</u>	<u>1,047,839</u>	<u>1,704,168</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year . . . . .	2,650,000	3,132,500	-	831,500	6,614,000
Delinquent property tax revenue not available . . . . .	89,518	213,875	-	41,198	344,591
Sales tax revenue not available . . . . .	1,275,698	-	-	86,198	1,361,896
Intergovernmental revenue not available . . . . .	501,086	144,205	2,208,233	144,073	2,997,597
Other revenue not available . . . . .	849	-	-	1,500	2,349
Total deferred inflows of resources . . . . .	<u>4,517,151</u>	<u>3,490,580</u>	<u>2,208,233</u>	<u>1,104,469</u>	<u>11,320,433</u>
<b>Fund balances:</b>					
Nonspendable . . . . .	186,921	15,436	354,147	55,252	611,756
Restricted . . . . .	-	2,254,258	922,010	11,166,343	14,342,611
Committed . . . . .	582,762	-	-	442,419	1,025,181
Assigned . . . . .	1,597,410	-	-	-	1,597,410
Unassigned (deficit) . . . . .	7,879,203	-	-	(3,965)	7,875,238
Total fund balances . . . . .	<u>10,246,296</u>	<u>2,269,694</u>	<u>1,276,157</u>	<u>11,660,049</u>	<u>25,452,196</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 15,119,360</u>	<u>\$ 5,991,864</u>	<u>\$ 3,553,216</u>	<u>\$ 13,812,357</u>	<u>\$ 38,476,797</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOLMES COUNTY, OHIO**

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

<b>Total governmental fund balances</b>	\$	25,452,196
<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.		33,494,971
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.		
Sales taxes receivable	\$ 1,361,896	
Real and other taxes receivable	344,591	
Intergovernmental receivable	2,997,597	
Accounts receivable	2,349	
<b>Total</b>	<b>4,706,433</b>	4,706,433
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(3,425,000)	
Landfill closure and postclosure care liability	(1,990,249)	
Capital lease payable	(43,871)	
Compensated absences payable	(1,231,078)	
Loans payable	(1,912,906)	
Accrued interest payable	(9,920)	
<b>Total</b>	<b>(8,613,024)</b>	(8,613,024)
An internal service fund is used by management to charge the costs of an employee medical and prescription drug self-insurance program to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		3,179,363
Unamortized deferred amounts on refundings are not recognized in the governmental funds.		43,721
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Net pension asset	32,244	
Deferred outflows of resources	8,169,525	
Deferred inflows of resources	(313,491)	
Net pension liability	(21,466,058)	
<b>Total</b>	<b>(13,577,780)</b>	(13,577,780)
Unamortized premiums on bond issuances are not recognized in the governmental funds.		(127,477)
<b>Net position of governmental activities</b>	<b>\$</b>	<b>44,558,403</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOLMES COUNTY, OHIO**

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

	<u>General</u>	<u>County Board of DD</u>	<u>Motor Vehicle License and Gas Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Sales taxes. . . . .	\$ 7,330,281	\$ -	\$ -	\$ 1,756,585	\$ 9,086,866
Real and other taxes. . . . .	2,862,994	3,042,796	-	950,256	6,856,046
Charges for services. . . . .	2,413,179	289,259	122,233	2,934,465	5,759,136
Licenses and permits . . . . .	364,914	-	-	778,965	1,143,879
Fines and forfeitures . . . . .	77,634	-	36,782	201,731	316,147
Intergovernmental. . . . .	1,422,045	2,082,076	5,036,072	5,286,023	13,826,216
Investment income. . . . .	192,894	1,219	129	3,174	197,416
Rental income . . . . .	8,885	-	-	143,676	152,561
Contributions and donations. . . . .	-	33,129	218,574	7,009	258,712
Other . . . . .	193,461	665,106	16,613	273,378	1,148,558
Total revenues . . . . .	<u>14,866,287</u>	<u>6,113,585</u>	<u>5,430,403</u>	<u>12,335,262</u>	<u>38,745,537</u>
<b>Expenditures:</b>					
Current:					
General government:					
Legislative and executive . . . . .	4,442,225	-	-	1,687,445	6,129,670
Judicial. . . . .	1,885,887	-	-	187,684	2,073,571
Public safety . . . . .	4,412,757	-	-	960,891	5,373,648
Public works . . . . .	-	-	5,901,471	350,572	6,252,043
Health . . . . .	92,604	-	-	208,345	300,949
Human services. . . . .	557,287	5,785,030	-	6,758,294	13,100,611
Conservation and recreation . . . . .	396,004	-	-	-	396,004
Capital outlay . . . . .	-	-	-	3,157,001	3,157,001
Debt service:					
Principal retirement. . . . .	2,069	20,417	-	337,499	359,985
Interest and fiscal charges . . . . .	308	1,630	-	114,903	116,841
Bond issuance costs . . . . .	-	-	-	74,373	74,373
Total expenditures . . . . .	<u>11,789,141</u>	<u>5,807,077</u>	<u>5,901,471</u>	<u>13,837,007</u>	<u>37,334,696</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>3,077,146</u>	<u>306,508</u>	<u>(471,068)</u>	<u>(1,501,745)</u>	<u>1,410,841</u>
<b>Other financing sources (uses):</b>					
Issuance of refunding bonds . . . . .	-	-	-	1,935,000	1,935,000
Premium on bond issuance . . . . .	-	-	-	119,058	119,058
Payment to refunded bond escrow agent . . . . .	-	-	-	(2,079,685)	(2,079,685)
ODOT loan issuance . . . . .	-	-	-	1,912,906	1,912,906
Sale of capital assets. . . . .	16,669	-	38,366	27,438	82,473
Transfers in . . . . .	-	-	-	1,352,828	1,352,828
Transfers (out). . . . .	(808,180)	(150,000)	-	(394,648)	(1,352,828)
Total other financing sources (uses) . . . . .	<u>(791,511)</u>	<u>(150,000)</u>	<u>38,366</u>	<u>2,872,897</u>	<u>1,969,752</u>
Net change in fund balances . . . . .	2,285,635	156,508	(432,702)	1,371,152	3,380,593
<b>Fund balances at beginning of year . . . . .</b>	<u>7,960,661</u>	<u>2,113,186</u>	<u>1,708,859</u>	<u>10,288,897</u>	<u>22,071,603</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 10,246,296</u>	<u>\$ 2,269,694</u>	<u>\$ 1,276,157</u>	<u>\$ 11,660,049</u>	<u>\$ 25,452,196</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES 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

<b>Net change in fund balances - total governmental funds</b>	\$	3,380,593
<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 exceeded depreciation expense in the current period.		
Capital asset additions	\$	3,130,421
Current year depreciation		(2,153,079)
Total		977,342
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(4,884)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes		5,677
Real and other taxes		122,460
Intergovernmental revenues		268,484
Other revenues		1,605
Total		398,226
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		359,985
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transaction occurred in 2017:		
Bonds refunded		1,965,000
Deferred charges on debt refundings		44,020
Premiums refunded		70,665
Payment to refunded bond escrow agent		2,079,685
The issuances of bonds and loans are reported as an other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(3,847,906)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in decreased interest reported in the statement of activities:		
Decrease in accrued interest payable		3,050
Premiums incurred in the current year		(119,058)
Amortization of deferred amounts on refunding		(299)
Amortization of bond premiums		2,160
Total		(114,147)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,516,089
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		
		(3,857,010)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences payable		33,169
Landfill closure and postclosure care liability		29,012
Total		62,181
The internal service fund used by management to charge the costs of an employee medical and prescription drug self-insurance program to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		270,091
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>1,220,245</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOLMES 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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Sales taxes . . . . .	\$ 5,500,000	\$ 5,500,000	\$ 7,299,988	\$ 1,799,988
Real and other taxes. . . . .	2,460,000	2,460,000	2,832,933	372,933
Charges for services. . . . .	1,098,450	1,303,027	1,494,534	191,507
Licenses and permits . . . . .	3,980	3,980	364,914	360,934
Fines and forfeitures . . . . .	85,000	85,000	85,057	57
Intergovernmental. . . . .	774,590	1,331,768	1,516,433	184,665
Investment income. . . . .	150,000	150,000	190,060	40,060
Rental income . . . . .	540	540	638	98
Other . . . . .	63,500	89,800	164,774	74,974
Total revenues . . . . .	<u>10,136,060</u>	<u>10,924,115</u>	<u>13,949,331</u>	<u>3,025,216</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	7,889,007	7,927,993	5,081,082	2,846,911
Judicial. . . . .	1,645,586	1,677,747	1,539,425	138,322
Public safety . . . . .	2,857,445	3,045,508	3,016,421	29,087
Health . . . . .	95,000	95,000	92,757	2,243
Human services. . . . .	458,181	458,181	297,232	160,949
Conservation and recreation . . . . .	396,500	908,678	396,004	512,674
Total expenditures . . . . .	<u>13,341,719</u>	<u>14,113,107</u>	<u>10,422,921</u>	<u>3,690,186</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(3,205,659)</u>	<u>(3,188,992)</u>	<u>3,526,410</u>	<u>6,715,402</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	1,000	17,667	16,669	(998)
Transfers (out). . . . .	<u>(819,779)</u>	<u>(1,031,680)</u>	<u>(1,031,680)</u>	<u>-</u>
Total other financing sources (uses) . . . . .	<u>(818,779)</u>	<u>(1,014,013)</u>	<u>(1,015,011)</u>	<u>(998)</u>
Net change in fund balances . . . . .	(4,024,438)	(4,203,005)	2,511,399	6,714,404
<b>Fund balances at beginning of year . . .</b>	5,799,628	5,799,628	5,799,628	-
<b>Prior year encumbrances appropriated .</b>	13,252	13,252	13,252	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,788,442</u>	<u>\$ 1,609,875</u>	<u>\$ 8,324,279</u>	<u>\$ 6,714,404</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOLMES 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>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Real and other taxes. . . . .	\$ 3,032,000	\$ 3,032,000	\$ 2,970,650	\$ (61,350)
Charges for services. . . . .	568,400	568,400	287,731	(280,669)
Intergovernmental. . . . .	1,946,750	1,946,750	2,081,169	134,419
Investment income. . . . .	-	850	1,219	369
Contributions and donations. . . . .	800	800	33,129	32,329
Other . . . . .	179,399	179,399	641,150	461,751
<b>Total revenues . . . . .</b>	<u>5,727,349</u>	<u>5,728,199</u>	<u>6,015,048</u>	<u>286,849</u>
<b>Expenditures:</b>				
Current:				
Human services. . . . .	6,547,810	6,576,810	5,739,031	837,779
<b>Total expenditures . . . . .</b>	<u>6,547,810</u>	<u>6,576,810</u>	<u>5,739,031</u>	<u>837,779</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(820,461)</u>	<u>(848,611)</u>	<u>276,017</u>	<u>1,124,628</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	565,000	565,000	-	(565,000)
Transfers (out) . . . . .	<u>(540,000)</u>	<u>(710,000)</u>	<u>(150,000)</u>	<u>560,000</u>
<b>Total other financing sources (uses) . . . . .</b>	<u>25,000</u>	<u>(145,000)</u>	<u>(150,000)</u>	<u>(5,000)</u>
Net change in fund balances. . . . .	(795,461)	(993,611)	126,017	1,119,628
<b>Fund balances at beginning of year . . . . .</b>	1,821,333	1,821,333	1,821,333	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,025,872</u>	<u>\$ 827,722</u>	<u>\$ 1,947,350</u>	<u>\$ 1,119,628</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOLMES COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 MOTOR VEHICLE LICENSE AND GAS TAX  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Charges for services. . . . .	\$ 127,127	\$ 138,568	\$ 122,233	\$ (16,335)
Fines and forfeitures . . . . .	34,535	34,535	34,458	(77)
Intergovernmental. . . . .	4,429,384	4,990,872	4,570,850	(420,022)
Investment income. . . . .	518	518	129	(389)
Contributions and donations. . . . .	218,574	218,574	218,574	-
Other . . . . .	52,251	52,251	16,469	(35,782)
<b>Total revenues . . . . .</b>	<u>4,862,389</u>	<u>5,435,318</u>	<u>4,962,713</u>	<u>(472,605)</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	4,862,456	6,633,943	5,782,954	850,989
<b>Total expenditures . . . . .</b>	<u>4,862,456</u>	<u>6,633,943</u>	<u>5,782,954</u>	<u>850,989</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(67)</u>	<u>(1,198,625)</u>	<u>(820,241)</u>	<u>378,384</u>
<b>Other financing sources:</b>				
Sale of capital assets. . . . .	67	38,366	38,366	-
<b>Total other financing sources . . . . .</b>	<u>67</u>	<u>38,366</u>	<u>38,366</u>	<u>-</u>
Net change in fund balances . . . . .	-	(1,160,259)	(781,875)	378,384
<b>Fund balances at beginning of year . . . . .</b>	<u>1,244,225</u>	<u>1,244,225</u>	<u>1,244,225</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,244,225</u>	<u>\$ 83,966</u>	<u>\$ 462,350</u>	<u>\$ 378,384</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**HOLMES COUNTY, OHIO**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2017**

	<b>Business-type Activities - Enterprise Fund Sewer District</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ 1,037,556	\$ 3,265,673
Receivables (net of allowance for uncollectibles):		
Accounts . . . . .	99,764	-
Materials and supplies inventory . . . . .	408	-
Total current assets . . . . .	<u>1,137,728</u>	<u>3,265,673</u>
Noncurrent assets:		
Net pension asset . . . . .	219	-
Capital assets:		
Land and construction in progress . . . . .	98,503	-
Depreciable capital assets, net. . . . .	11,809,866	-
Total capital assets, net. . . . .	<u>11,908,369</u>	<u>-</u>
Total noncurrent assets . . . . .	<u>11,908,588</u>	<u>-</u>
Total assets. . . . .	<u>13,046,316</u>	<u>3,265,673</u>
<b>Deferred outflows of resources:</b>		
Pension - OPERS . . . . .	53,102	-
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable . . . . .	40,319	-
Accrued wages and benefits payable. . . . .	2,385	-
Due to other governments . . . . .	6,369	-
Accrued interest payable . . . . .	58,350	-
Claims payable . . . . .	-	86,310
Current portion of compensated absences payable. . . . .	4,528	-
Current portion of general obligation bonds payable. . . . .	80,000	-
Current portion of OPWC loans payable. . . . .	79,152	-
Current portion of USDA loans payable . . . . .	41,000	-
Total current liabilities. . . . .	<u>312,103</u>	<u>86,310</u>
Long-term liabilities:		
Compensated absences payable. . . . .	658	-
General obligation bonds payable . . . . .	1,878,089	-
OPWC loans payable. . . . .	1,636,866	-
USDA loans payable . . . . .	2,327,000	-
Net pension liability . . . . .	138,864	-
Total long-term liabilities . . . . .	<u>5,981,477</u>	<u>-</u>
Total liabilities . . . . .	<u>6,293,580</u>	<u>86,310</u>
<b>Deferred inflows of resources:</b>		
Pension - OPERS . . . . .	2,263	-
<b>Net position:</b>		
Net investment in capital assets. . . . .	5,866,262	-
Unrestricted . . . . .	937,313	3,179,363
Total net position . . . . .	<u>\$ 6,803,575</u>	<u>\$ 3,179,363</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOLMES COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<b>Business-type Activities - Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Sewer District</b>	<b>Service Fund</b>
<b>Operating revenues:</b>		
Charges for services . . . . .	\$ 1,312,780	\$ 1,715,562
Other . . . . .	14,009	3,364
Total operating revenues. . . . .	1,326,789	1,718,926
<b>Operating expenses:</b>		
Personal services . . . . .	115,143	-
Contract services . . . . .	514,063	-
Materials and supplies. . . . .	103,578	-
Claims . . . . .	-	1,448,745
Depreciation. . . . .	439,218	-
Other . . . . .	275	90
Total operating expenses. . . . .	1,172,277	1,448,835
Operating income . . . . .	154,512	270,091
<b>Nonoperating expenses:</b>		
Interest and fiscal charges . . . . .	(149,003)	-
Change in net position . . . . .	5,509	270,091
<b>Net position at beginning of year (restated) . . . . .</b>	<b>6,798,066</b>	<b>2,909,272</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 6,803,575</b>	<b>\$ 3,179,363</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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HOLMES COUNTY, OHIO

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

	<b>Business-type Activities - Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Sewer District</b>	
<b>Cash flows from operating activities:</b>		
Cash received from sales/charges for services . . . . .	\$ 1,310,932	\$ 1,715,562
Cash received from other operations . . . . .	14,009	3,364
Cash payments for personal services . . . . .	(95,476)	-
Cash payments for contractual services . . . . .	(541,654)	-
Cash payments for materials and supplies . . . . .	(92,764)	-
Cash payments for claims . . . . .	-	(1,362,435)
Cash payments for other expenses . . . . .	(275)	(90)
	<hr/>	<hr/>
Net cash provided by operating activities . . . . .	594,772	356,401
	<hr/>	<hr/>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets . . . . .	(36,062)	-
Principal payments on bonds, notes and loans . . . . .	(194,150)	-
Interest payments on bonds, notes and loans . . . . .	(149,913)	-
	<hr/>	<hr/>
Net cash used in capital and related financing activities . . . . .	(380,125)	-
	<hr/>	<hr/>
Net increase in cash and cash equivalents . . . . .	214,647	356,401
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>822,909</b>	<b>2,909,272</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 1,037,556</b>	<b>\$ 3,265,673</b>
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(Continued)

**HOLMES COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<b>Business-type Activities - Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Sewer District</b>	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income . . . . .	\$ 154,512	\$ 270,091
Adjustments:		
Depreciation. . . . .	439,218	-
Changes in assets, deferred outflows, liabilities, and deferred inflows:		
(Increase) in accounts receivable . . . . .	(1,848)	-
(Increase) in materials and supplies inventory . . . . .	(298)	-
(Increase) in net pension asset . . . . .	(3)	-
(Increase) in deferred outflows of resources - pension . . .	(12,636)	-
(Decrease) in accounts payable . . . . .	(10,447)	-
Increase in accrued wages and benefits . . . . .	351	-
Increase in claims payable. . . . .	-	86,310
(Decrease) in due to other governments . . . . .	(5,978)	-
Increase in compensated absences payable . . . . .	220	-
Increase in net pension liability . . . . .	32,662	-
(Decrease) in deferred inflows of resources - pension . . .	(981)	-
Net cash provided by operating activities . . . . .	\$ 594,772	\$ 356,401

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOLMES COUNTY, OHIO**

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

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 3,850,883
Cash and cash equivalents in segregated accounts. . . . .	3,251,512
Receivables:	
Real and other taxes. . . . .	35,765,184
Accounts . . . . .	271,900
Due from other governments . . . . .	<u>1,652,622</u>
Total assets. . . . .	<u>\$ 44,792,101</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 39,688
Accrued wages and benefits . . . . .	7,917
Due to other governments . . . . .	2,572,511
Undistributed monies. . . . .	<u>42,171,985</u>
Total liabilities . . . . .	<u>\$ 44,792,101</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

#### NOTE 1 - DESCRIPTION OF THE COUNTY

Holmes County, Ohio (the "County"), was created in 1825. The County is governed by a Board of three commissioners elected by the voters of the County. The County Commissioners serve as the taxing authority, the contracting body and the chief administrators of public services for the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the County Auditor, Clerk of Courts, Treasurer, Prosecuting Attorney, Coroner, Engineer, Common Pleas Judge, Probate and Juvenile Judge, Municipal Court Judge, Sheriff and Recorder. Although these elected officials manage the internal operations of their respective department, the County Commissioners serve as the budget and taxing authority, contracting body and the chief administrators of public services for the County.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) 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 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 an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's Governing Board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; or (3) the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the County has three component units which are discussed on the following page.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

*DISCRETELY PRESENTED COMPONENT UNITS*

*Holmes County Regional Planning Commission (Commission)*

The Commission is governed by an eleven-member Board, of which seven are appointed by the County. The Commission has a financial benefit/burden relationship with the County; therefore, the Commission has been included as a component unit of the County. Separate financial statements can be obtained from the Commission, 2 Court St. Suite 21, Millersburg, Ohio 44654.

*Holmes County Airport Authority (Airport Authority)*

The Airport Authority Board consists of seven members which are appointed by the County Commissioners of Holmes County. The Airport Authority has a financial benefit/burden relationship with the County; therefore, the Airport Authority has been included as a component unit of the County. Separate financial statements can be obtained from Holmes County Airport Authority, County Administration Building, Millersburg, Ohio 44654.

*Lynn Hope Industries, Inc. (Workshop)*

The Workshop is a legally separate, not-for-profit corporation, (organized under Section 501 (c) (3) of the Internal Revenue Code) served by a self-appointing Board of Trustees. The Workshop, under a contractual agreement with the Holmes County Board of Developmental Disabilities (DD), provides sheltered employment for handicapped adults in Holmes County. The Holmes County Board of DD provides the Workshop with some expenses and personnel for operation of the Workshop including staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, various financial reporting and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and the Workshop's sole purpose of providing assistance to the handicapped adults of Holmes County, the Workshop is reflected as a component unit of the County. Separately issued financial statements can be obtained from Lynn Hope Industries, Inc. of Holmes County, Holmesville, Ohio 44633.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component units is identified in Notes 21, 22 and 23.

*POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS*

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of several separate agencies, boards and commissions, the County serves as fiscal agent, but the organizations are not considered part of Holmes County. Accordingly, the activities of the following entities are presented as agency funds within Holmes County's financial statements: District Board of Health and Soil and Water Conservation.



**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

*JOINT VENTURE WITHOUT EQUITY INTEREST*

*Mental Health & Recovery Board of Wayne and Holmes Counties (Board)*

The Board, a joint venture of Wayne and Holmes County, has the responsibility for the development, funding, monitoring and evaluating of community based mental health programs. The Board is controlled by a joint Board of Trustees whose membership consists of five appointees of the State Board of Mental Health, eight appointees of the Wayne County Commissioners, and two appointees of the Holmes County Commissioners. The Board exercises total control of the operations of the Board, including budgeting, appropriating, contracting, and designating management. Continued existence of the Board is dependent on the County's continued participation; however, the County does not have an equity interest in the Board. The Board is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the County. A joint county property tax levy accounts for twenty-five percent of the Board's revenue. The County makes no additional contributions to the Board and has no approval authority over the tax levy. Complete financial statements for the Board can be obtained from the Board at 1985 Eagle Pass, Wooster, Ohio 44691.

*JOINTLY GOVERNED ORGANIZATIONS*

*Holmes County Family and Children First Council (Council)*

The mission of the Council is to promote and facilitate collaboration among community agencies serving children and their families and to unite the community in promoting the well-being of children and their families through leadership advocacy, and coordination of services. The Board of Trustees is made up of 18 individuals from various organizations including five from the County. The County paid \$7,640 to the Council during 2017.

*Mid-Eastern Ohio Regional Council (MEORC)*

MEORC is a jointly governed organization among eighteen counties in Ohio. MEORC provides services to the developmentally disabled residents in the participating counties. MEORC is governed by a Council made up of the superintendents of each county's Board of Developmental Disabilities. Revenues are generated by fees and State grants. The Council does not have any outstanding debt. Information can be obtained from 1 Avalon Road, Mount Vernon, Ohio 43050. For 2017, the County paid \$164,959 to MEORC for services provided.

*PUBLIC ENTITY RISK POOLS*

*County Risk Sharing Authority, Inc. (CORSA)*

The County Risk Sharing Authority, Inc., is a public entity risk pool among sixty-five counties and thirty-two county-affiliated public entities 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.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA 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's payment for insurance to CORSA in 2017 was \$163,125.

Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

#### County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third-party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a county commissioner.

#### *RELATED ORGANIZATIONS*

#### Holmes County Public Library (Library)

The Library provides services aimed at enriching the lives of the citizens of the County through an informed and connected community. The County appoints the governing board of the Library; however, the County cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden on the County. The County serves in a ministerial capacity as taxing authority for the Library. Once the Library Board determines to present a levy to the voters, including the determination of its rate and duration, the County must place the levy on the ballot. The Library determines its own budget.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

##### Holmes County Park District (District)

The District provides conservation and recreation programs for the benefit of the County's citizens. The three Park District Commissioners are appointed by the Probate Judge of the County. The District hires and fires its own staff and does not rely on the County to finance deficits. The County is not financially accountable for the District. The District serves as its own taxing and debt issuance authority. The District receives 0.15 inside mills of real estate taxes for operation.

#### **B. 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. Governmental fund assets less liabilities and deferred inflows of resources 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.

County Board of Developmental Disabilities (DD) - This fund accounts for the operation of a school and resident homes for the developmentally disabled. Revenue sources include a property tax levy, federal/State grants, charges for services, investment income, contributions and donation, and miscellaneous revenue.

Motor vehicle license and gas tax - 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.

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.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

**Proprietary Funds** - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

**Enterprise Funds** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The County has presented the following major enterprise fund:

Sewer district - This fund accounts for sanitary sewer services provided to individual and commercial users in the majority of the unincorporated areas of Holmes County. The costs of providing these services are financed primarily through user charges. The Sanitary Sewer District has its own facilities and rate structure.

**Internal Service Fund** - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund reports the operations of a self-insurance program for employee medical and prescription drug benefits.

**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 related primarily to real estate tax, gasoline and license tax, and the County courts.

#### C. 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 activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities. On the statement of activities, interfund services provided and used are not eliminated in the process of consolidation.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary 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.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. 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 and deferred outflows of resources, and current liabilities and deferred inflows of resources, 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.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflows and outflows of resources 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 services and fees. Operating expenses for the enterprise fund include personnel and other expenses related to Sewer operations and operating expenses for the internal service fund include claims expenses for the employee medical and prescription drug benefit self-insurance program. 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.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

#### 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 outflows of resources, 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 thirty-one 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.A.), interest, federal and State grants and subsidies, State-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

**Deferred Outflows of Resources and Deferred Inflows 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 represent 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 13 for deferred outflows of resources related the County's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the County unavailable revenue includes, but is not limited to, delinquent property taxes, sales taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The County also reports deferred inflow of resources related to the County's net pension liability. These deferred inflows of resources are 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 Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department and fund.

***Tax Budget*** - A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted. The purpose of the Tax Budget is to reflect the need for existing (or increased) tax rates.

***Estimated Resources*** - The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the projected revenue of each fund.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the original and final amended certificates issued during 2017.

**Appropriations** - A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The original budget and all budgetary amendments and supplemental appropriations necessary during 2017 are included in the final budget amounts in the budget-to-actual comparisons.

**Lapsing of Appropriations** - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not re-appropriated.

**F. Cash, Cash Equivalents and Investments**

To improve cash management, cash received by the County 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" on the basic financial statements.

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 and cash equivalents 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. Investments with an initial maturity of more than three months are reported as investments.

During 2017, investments were limited to nonnegotiable certificates of deposit. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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 year 2017 amounted to \$192,894 which includes \$137,156 assigned from other County funds.

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



**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**G. Inventories of Materials and Supplies**

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

On fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources.

**H. Capital Assets**

Governmental capital assets are those assets not specifically related to activities reported in the proprietary 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 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 value as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets are depreciated except for land and construction in process. Improvements are depreciated over the remaining useful lives of the related capital assets.

The County maintains a capitalization threshold of \$5,000. The County's infrastructure consists of roads, bridges, culverts and sanitary sewers. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacements. The County depreciates its capital assets 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>
Improvements other than buildings	10 - 20 years	10 - 20 years
Buildings and improvements	20 - 40 years	20 - 40 years
Machinery and equipment	4 - 7 years	5 years
Vehicles	10 years	10 years
Sewer/water lines	-	40 years
Infrastructure	20 - 50 years	20 - 50 years

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset. For 2017, the net interest expense incurred on proprietary fund construction projects was not material.

#### I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences," a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at 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 County records a liability for accumulated unused sick leave for employees after 13 years of current service.

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.

County employees earn vacation at varying rates ranging from two to five weeks per year. Sick leave is accumulated at the rate of 4.60 hours per 80 hours worked. Vacation and sick leave are accumulated on an hours worked basis. Vacation pay is vested after one year and sick pay upon eligibility for retirement. Accumulated vacation cannot exceed the amount earned in one year plus 40 hours.

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 in the fund financial statements to the extent payments come due each period upon the occurrence of employee resignations and retirements. The noncurrent portion of the liability is not reported in the governmental fund financial statements. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

#### J. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepayments 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.

On fund financial statements, prepayments are equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

#### 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 from current financial resources, are reported as obligations of the funds. However, compensated absences, the net pension liability and claims and judgements 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.

##### **L. Interfund Transactions**

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

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

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

##### **M. Fund Balance**

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

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

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

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**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, which includes giving the County Auditor the authority to constrain monies for intended purposes. The Board of Commissioners has, by resolution, authorized the County Auditor to assign fund balances for encumbrances outstanding at year-end.

*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. Estimates**

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

**O. Net Position**

Net position represents the difference between assets plus deferred outflows of resources less liabilities less deferred inflows of resources. 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 are also included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

##### **P. Bond Issuance Costs, Bond Premiums and Discounts, Accounting Gain or Loss**

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 10.

For current and advance refunding's resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow of resources or a deferred outflow of resources.

##### **Q. 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 Commissioners and that are either unusual in nature or infrequent in occurrence. The County did not have either type of transaction during 2017.

##### **R. 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.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

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.

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>Nonmajor funds</u>	<u>Deficit</u>
Habitat for Humanity	\$ 3,965

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.

**C. Restatement of Net Position**

Effective January 1, 2017, the County established a self-insurance program for medical and prescription drug benefits. Prior to the establishment of the self-insurance internal service fund, the County reported monies earmarked for this program in an agency fund. A prior period adjustment is required to reclassify the monies from the agency fund to the newly established self-insurance internal service fund. This prior period adjustment had the following effect on net position as previously reported.

	Governmental Activities	Internal Service Fund
Net position as previously reported	\$ 40,428,886	\$ -
Establishment of internal service self-insurance fund	2,909,272	2,909,272
Restated net position at January 1, 2017	\$ 43,338,158	\$ 2,909,272

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

#### NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the County into two categories, as described below.

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

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

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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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;
6. The State Treasurer's investment pool (State Treasury Asset Reserve of Ohio);
7. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies;
8. 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,
9. 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.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 County Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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.

#### A. Unrecorded Cash

At year end, the County had \$15,777 in unrecorded cash which is included on the financial statements as part of "equity in pooled cash and cash equivalents".

#### B. Cash on Hand

At year end, the County had \$359,064 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents".

#### C. Deposits with Financial Institutions

At December 31, 2017, the carrying amount of all County deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$34,637,777 and the bank balance was \$34,464,188. Of the bank balance, \$6,869,870 was covered by the FDIC and \$27,594,318 was covered by specific pledged collateral at the financial institution or through participation in 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.



**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. 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:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 34,637,777
Unrecorded cash	15,777
Cash on hand	<u>359,064</u>
Total	<u>\$ 35,012,618</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 26,717,497
Business-type activities	1,037,556
Component unit <sup>(1)</sup>	155,170
Agency	<u>7,102,395</u>
Total	<u>\$ 35,012,618</u>

<sup>(1)</sup> Cash and cash equivalents of the Holmes County Regional Planning Commission are pooled and invested by the County (See Note 21 for detail). Cash and cash equivalents of Lynn Hope Industries, Inc. and the Holmes County Airport Authority are held separate from the County (see Notes 22 and 23, respectively, for detail) and are reported on the financial statements as “cash and cash equivalents in segregated accounts.”

**NOTE 5 - INTERFUND TRANSACTIONS**

**A. Interfund Transfers**

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

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 808,180
<u>Transfer from County Board of DD fund to:</u>	
Nonmajor governmental funds	150,000
<u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>394,648</u>
Total	<u>\$ 1,352,828</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, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) to move monies set-aside for capital improvements.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

The \$150,000 transfer from the County Board of DD fund to nonmajor governmental funds was to move monies from the County Board of DD operating fund to the County Board of DD capital fund.

The \$394,648 in transfers from the nonmajor governmental funds to nonmajor governmental funds included the following transfers: (1) a \$106,955 transfer from the public assistance fund to the child support enforcement fund, (2) a \$132,140 transfer from the public assistance fund to the children services fund, and (3) a \$155,553 transfer from the solid waste fund to the landfill closure debt service fund.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**B. Due To/From Other Funds**

Due to/from other funds at December 31, 2017, as reported on the fund financial statements, consisted of \$3,965 due from the Habitat for Humanity fund (a nonmajor governmental fund) to the general fund. This due to/from other funds represents amounts owed between funds to cover negative cash balances. Amounts due to/from other funds between governmental funds are eliminated for reporting on the statement of net position.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. 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 revalued 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 Auditor 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, tangible personal property taxes and 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 a deferred inflow of resources since the current taxes were not levied to finance 2018 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources 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.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 6 - PROPERTY TAXES - (Continued)**

The full tax rate for all County operations for the year ended December 31, 2017 was \$12.70 per \$1,000 of assessed value. The total assessed value of real property upon which 2017 property tax receipts were based was \$981,409,830.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2017, consisted of taxes, interest, accounts (billings for user charged services and other fees), interfund receivables, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the balance sheet and statement of net position, and all interfund receivables have been classified as “due to/from other funds” on the balance sheet. 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. Permissive Sales and Use Tax**

In 1979, the County Commissioners by resolution imposed a one-half percent tax on all retail sales, made in the County, except sales of motor vehicles, 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 the amount of the tax to be returned to the County. The Tax Commissioner’s certification must be made within the forty-five days after the end of each month. The Office of Budget and Management then has five days in which to draw the warrant payable to the County.

Amounts that have been collected by the State and that are to be received within the available period are accrued as revenue on the fund financial statements. Each month, the sales tax revenue is allocated to County funds in accordance with the yearly Resolution adopted by the Commissioner. During 2017, sales tax revenue was allocated to the general fund and the following nonmajor governmental funds: the 911 fund, the solid waste district fund, the capital improvements fund and the general obligation debt service fund. Sales tax revenue for 2017 amounted to \$9,086,866 as reported on the fund financial statements.

**B. Intergovernmental**

A summary of the principal items of “due from other governments” as reported on the fund financial statements follows:

	<u>Amount</u>
<u>General fund</u>	
Homestead and rollback	\$ 165,471
Local government	225,000
Casino taxes	262,168
Other	<u>37,992</u>
Total	<u>690,631</u>

(Continued)

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 7 - RECEIVABLES - (Continued)**

	Amount (Continued)
<u>County Board of DD</u>	
Homestead and rollback	\$ 144,205
Other	907
Total	<u>145,112</u>
<u>Motor vehicle license and gas tax</u>	
Gasoline excise and motor vehicle license tax	2,203,647
Grants	530,439
Total	<u>2,734,086</u>
<u>Nonmajor governmental funds</u>	
Public assistance	711,549
Child support enforcement	49,404
State victims assistance grant	5,591
County home	50,080
CHIP	16,160
Children services	26,439
Total nonmajor governmental funds	<u>859,223</u>
Total governmental funds	<u>\$ 4,429,052</u>
<u>Agency funds</u>	
County public library	\$ 595,342
Gasoline and license tax	826,046
Undivided local government	150,000
Travel	73,597
Park district	7,637
Total agency funds	<u>\$ 1,652,622</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 8 - CAPITAL ASSETS**

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

<b><u>Governmental activities:</u></b>	Balance 12/31/2016	Additions	Deductions	Balance 12/31/2017
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,652,028	\$ -	\$ -	\$ 1,652,028
Construction in progress	<u>-</u>	<u>2,644,440</u>	<u>-</u>	<u>2,644,440</u>
Total capital assets, not being depreciated	<u>1,652,028</u>	<u>2,644,440</u>	<u>-</u>	<u>4,296,468</u>
<i>Capital assets, being depreciated:</i>				
Buildings	24,132,275	-	-	24,132,275
Improvements other than buildings	411,098	257,628	-	668,726
Machinery and equipment	5,391,130	101,453	(156,821)	5,335,762
Vehicles	5,905,074	119,450	(109,255)	5,915,269
Infrastructure	<u>31,683,752</u>	<u>7,450</u>	<u>-</u>	<u>31,691,202</u>
Total capital assets, being depreciated	<u>67,523,329</u>	<u>485,981</u>	<u>(266,076)</u>	<u>67,743,234</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(12,226,048)	(692,036)	-	(12,918,084)
Improvements other than buildings	(123,894)	(37,138)	-	(161,032)
Machinery and equipment	(3,732,599)	(225,899)	152,809	(3,805,689)
Vehicles	(3,846,594)	(424,222)	108,383	(4,162,433)
Infrastructure	<u>(16,723,709)</u>	<u>(773,784)</u>	<u>-</u>	<u>(17,497,493)</u>
Total accumulated depreciation	<u>(36,652,844)</u>	<u>(2,153,079)</u>	<u>261,192</u>	<u>(38,544,731)</u>
Total capital assets, being depreciated net	<u>30,870,485</u>	<u>(1,667,098)</u>	<u>(4,884)</u>	<u>29,198,503</u>
Governmental activities capital assets, net	<u>\$ 32,522,513</u>	<u>\$ 977,342</u>	<u>\$ (4,884)</u>	<u>\$ 33,494,971</u>

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

<b><u>Governmental activities:</u></b>	
Legislative and executive	\$ 144,931
Judicial	33,849
Public safety	246,222
Public works	1,056,108
Health	252,055
Human services	<u>419,914</u>
Total depreciation expense - governmental activities	<u>\$ 2,153,079</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 8 - CAPITAL ASSETS - (Continued)**

	Balance 12/31/2016	Additions	Deductions	Balance 12/31/2017
<b><u>Business-type activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 98,503	\$ -	\$ -	\$ 98,503
Construction in progress	465,955	-	(465,955)	-
Total capital assets, not being depreciated	564,458	-	(465,955)	98,503
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	9,048,273	465,955	-	9,514,228
Machinery and equipment	989,297	36,062	-	1,025,359
Sewer/water lines	7,303,586	-	-	7,303,586
Total capital assets, being depreciated	17,341,156	502,017	-	17,843,173
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(2,156,716)	(232,890)	-	(2,389,606)
Machinery and equipment	(664,496)	(28,131)	-	(692,627)
Sewer/water lines	(2,772,877)	(178,197)	-	(2,951,074)
Total accumulated depreciation	(5,594,089)	(439,218)	-	(6,033,307)
Total capital assets, being depreciated net	11,747,067	62,799	-	11,809,866
Business-type activities capital assets, net	\$ 12,311,525	\$ 62,799	\$ (465,955)	\$ 11,908,369

Depreciation expense was charged to the enterprise fund as follows:

<b><u>Business-type activities:</u></b>	
Sewer district	\$ 439,218

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**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

**Governmental Activities**

In a prior year, the County entered into an additional capital lease agreement for copier equipment. Capital assets consisting of equipment have been capitalized in the amount of \$159,623. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2017 was \$97,048, leaving a current book value of \$62,575. A corresponding liability was recorded in the statement of net position. Principal payments in 2017 totaled \$29,985 paid by the County from the general fund, county board of DD fund, real estate assessment fund and delinquent real estate assessment fund.

Such agreements provide for minimum, annual lease payments as follows:

<u>Year Ended</u>	<u>Payment</u>
2018	\$ 32,998
2019	10,255
2020	<u>2,506</u>
Total minimum lease payments	45,759
Less: Amounts representing interest	<u>(1,888)</u>
Present value of minimum lease payments	<u>\$ 43,871</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

**A. Long-Term Obligations**

The following is a summary of the original issue date, interest rate, original issue amount and date of maturity for each of the County's bonds, notes and loans outstanding:

	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>
<u>General obligation bonds:</u>			
2017 Landfill improvement refunding bonds	1.00-4.00%	\$ 1,935,000	12/1/2041
2011 Landfill improvement	1.00-5.25%	2,600,000	12/1/2022
2011 Various purpose refunding	1.00-4.00%	2,770,000	12/1/2024
2012 Sewer system improvement refunding	1.10-4.25%	2,380,000	12/1/2036
USDA loan	3.25%	2,556,000	3/1/2050
<u>OPWC loans:</u>			
Sanitary sewer plant	0.00%	58,226	7/1/2022
Mt. Hope	0.00%	78,018	1/1/2021
Walnut Creek	0.00%	167,254	7/1/2026
Walnut Creek Upgrade	0.00%	1,000,000	1/1/2032
October Hills Phase I	0.00%	391,986	7/1/2042
October Hills Phase II	0.00%	527,284	7/1/2045

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Governmental Activities Long-Term Obligations**

During 2017, the following activity occurred in the County's governmental long-term obligations:

	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
Series 2017 landfill improvement refunding bonds	\$ -	\$ 1,935,000	\$ (35,000)	\$ 1,900,000	\$ 15,000
Series 2011 landfill improvement bonds	2,330,000	-	(2,020,000)	310,000	60,000
Series 2011 various purpose refunding bonds	<u>1,455,000</u>	<u>-</u>	<u>(240,000)</u>	<u>1,215,000</u>	<u>240,000</u>
Total general obligation bonds	<u>3,785,000</u>	<u>1,935,000</u>	<u>(2,295,000)</u>	<u>3,425,000</u>	<u>315,000</u>
<u>Other long-term obligations:</u>					
Landfill closure and postclosure care liability	2,019,261	-	(29,012)	1,990,249	29,882
ODOT Loan	-	1,912,906	-	1,912,906	-
Capital lease obligation	73,856	-	(29,985)	43,871	31,520
Net pension liability	16,904,415	5,049,357	(487,714)	21,466,058	-
Compensated absences	<u>1,273,240</u>	<u>756,717</u>	<u>(797,375)</u>	<u>1,232,582</u>	<u>768,166</u>
Total other long-term obligations	<u>20,270,772</u>	<u>7,718,980</u>	<u>(1,344,086)</u>	<u>26,645,666</u>	<u>829,568</u>
Total governmental activities long-term obligations	24,055,772	9,653,980	(3,639,086)	30,070,666	1,144,568
Unamortized premium on bonds	<u>81,244</u>	<u>119,058</u>	<u>(72,825)</u>	<u>127,477</u>	<u>-</u>
Total on statement of net position	<u>\$ 24,137,016</u>	<u>\$ 9,773,038</u>	<u>\$ (3,711,911)</u>	<u>\$ 30,198,143</u>	<u>\$ 1,144,568</u>

***General Obligation Bonds:***

Series 2017 Landfill Improvement Refunding Bonds: On October 11, 2017, the County issued \$1,935,000 of Series 2017 Landfill Improvement Refunding Bonds for the purpose of advance refunding the callable portion of the Series 2011 Landfill Improvement Bonds (\$1,965,000). The County deposited bond proceeds in the amount of \$2,079,685 with an escrow agent to refund the bonds. The refunded bonds are not included in the County's outstanding debt since the County has satisfied its obligations through the refunding. The assets held in trust as a result of the refunding are not included in the financial statements. At December 31, 2017, the balance of the refunded Series 2010 Taxable Arena Improvement Bonds was \$1,965,000. The Series 2017 Landfill Improvement Refunding Bonds bear annual interest ranging from 1.00-4.00% and mature December 1, 2041. Proceeds of the refunding bonds are reported in the Debt Service fund with principal payments due December 1 of each year and interest payments due June 1 and December 1 of each year.



HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying value of the old debt by \$44,020. This amount is being amortized against interest expense over the life of the refunding bonds. The unamortized balance of the deferred charge on debt refunding is reported as a deferred outflow of resources on the government-wide financial statements. The refunding reduced future debt service payments by \$582,830 resulting in an economic gain of \$306,850.

Series 2011 Landfill Improvement Bonds: The Series 2011 Landfill Improvement Bonds were issued on December 14, 2011 in order to finance the costs of closing the County landfill and will be repaid with revenues collected from solid waste generation fees. A portion of these bonds were refunded on October 11, 2017 through the issuance of the Series 2017 Landfill Improvement Refunding Bonds. The unrefunded balance of the bonds have a final maturity date of December 1, 2022.

Series 2011 Various Purpose Refunding Bonds: The Series 2011 Various Purpose Refunding Bonds were issued on August 9, 2011 to currently refund the 1994 jail bond and the 1995 various purpose bond at a lower interest rate. These bonds will be repaid with sales tax revenues and also rental revenues of the human services building. The maturity date of the Series 2011 Various Purpose Refunding Bonds is December 1, 2024.

***Other Long-Term Obligations:***

Landfill Closure and Postclosure Care Liability: See Note 19 for detail on the County’s landfill closure and postclosure care liability.

ODOT Loan: In 2017, the County entered into a loan agreement with the Ohio Department of Transportation to borrow up to \$2,508,000 to finance a county roads paving project. As of December 31, 2017, the County has borrowed \$1,912,906 of the total permissible borrowing. Since the loan was not closed and final borrowings were not made as of December 31, 2017, a schedule of future debt service requirements is not provided below.

Capital Lease Obligation: The capital lease obligation will be paid from the general fund, county board of DD fund, real estate assessment fund, and the delinquent real estate assessment fund. See Note 9 for detail.

Net Pension Liability: The County pays obligations related to employee compensation from the fund benefitting from their services. See Note 13 for further information.

Compensated Absences: Sick leave and vacation benefits will be paid from the fund from which the person is paid. The following funds are currently liable for sick leave and/or vacation benefits:

<u>Major Governmental Funds</u>	<u>Nonmajor Governmental Funds</u>	
General	Child support enforcement	Disaster services
Motor vehicle license and gas tax	Real estate assessment	Youth services
County board of DD	State victims assistance	Public assistance
	License bureau	Tax map
<u>Major Enterprise Fund</u>	County home	
Sewer district		

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

Future Debt Service Requirements

The following is a summary of the County's future annual debt service principal and interest requirements for general obligation bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 315,000	\$ 119,036	\$ 434,036
2019	325,000	110,794	435,794
2020	210,000	98,731	308,731
2021	220,000	92,112	312,112
2022	225,000	85,175	310,175
2023 - 2027	680,000	332,663	1,012,663
2028 - 2032	430,000	257,200	687,200
2033 - 2037	520,000	164,000	684,000
2038 - 2041	<u>500,000</u>	<u>50,800</u>	<u>550,800</u>
Total	<u>\$ 3,425,000</u>	<u>\$ 1,310,511</u>	<u>\$ 4,735,511</u>

As of December 31, 2017, a schedule of future debt service requirements is not provided for the ODOT loan as the loan was not closed and no repayment schedule was available.

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**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Business-Type Activities Long-term Obligations**

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

	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bond:</u>					
Series 2012 sewer system improvement refunding bonds	\$ 2,035,000	\$ -	\$ (75,000)	\$ 1,960,000	\$ 80,000
<u>OPWC loans:</u>					
Sanitary sewer plant	16,012	-	(2,911)	13,101	2,912
Mt. Hope	15,604	-	(3,901)	11,703	3,901
Walnut Creek	79,444	-	(8,363)	71,081	8,362
Walnut Creek Upgrade	850,000	-	(33,333)	816,667	33,334
October Hills Phase I	333,188	-	(13,066)	320,122	13,067
October Hills Phase II	500,920	-	(17,576)	483,344	17,576
Total OPWC loans	<u>1,795,168</u>	<u>-</u>	<u>(79,150)</u>	<u>1,716,018</u>	<u>79,152</u>
<u>Other long-term obligations:</u>					
USDA loan	2,408,000	-	(40,000)	2,368,000	41,000
Net pension liability	106,202	32,662	-	138,864	-
Compensated absences	4,966	4,528	(4,308)	5,186	4,528
Total other long-term obligations	<u>2,519,168</u>	<u>37,190</u>	<u>(44,308)</u>	<u>2,512,050</u>	<u>45,528</u>
Total business-type activities long-term obligations	6,349,336	37,190	(198,458)	6,188,068	204,680
Less: unamortized discount on bonds	(2,012)	-	101	(1,911)	-
Total on the statement of net position	<u>\$ 6,347,324</u>	<u>\$ 37,190</u>	<u>\$ (198,357)</u>	<u>\$ 6,186,157</u>	<u>\$ 204,680</u>

***General Obligation Bond:***

Series 2012 Sewer System Improvements Refunding Bonds: On September 11, 2012, the County issued \$2,380,000 in sewer system improvement refunding bonds to currently refund the callable portion of the 1997 sewer system improvement bonds (principal \$2,271,500). The refunded debt is considered defeased (in substance) and accordingly, has been removed from the statement of net position. The amount of defeased debt outstanding at December 31, 2017 was \$1,988,500. The refunding bond issue is comprised of term bonds with interest rates ranging from 1.10% to 4.25%. Principal and interest payments are made from the sewer district fund.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

***Ohio Public Works Commission (OPWC) Loans:***

OPWC Loans: These loans are general obligations of the County and will be repaid from the sewer district fund. The OPWC loans are interest free, providing repayment remains current. The County has six OPWC loans outstanding at December 31, 2017.

***Other Long-Term Obligations:***

USDA Loan: The County entered into an agreement with the United States Department of Agriculture (USDA) for a loan in the amount of \$2,556,000 and a grant in the amount of \$2,007,000, for the purpose of improving and expanding the Walnut Creek Wastewater Treatment Plant. The County must draw on the loan before they can receive any portion of the grant. The loan bears an interest rate of 3.25%. The loan will be repaid from the sewer district fund.

Net Pension Liability: The County pays obligations related to employee compensation from the fund benefitting from their services. See Note 13 for further information.

Compensated Absences: Sick leave and vacation benefits will be paid from the fund from which the person is paid. Compensated absences for the business-type activities will be paid from the sewer district fund.

Future Debt Service Requirements

The following is a summary of the County's future annual debt service principal and interest requirements for the bonds and loans outstanding:

<u>Year Ended</u>	<u>General obligation bonds</u>			<u>OPWC</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Loans</u>
				<u>Principal</u>
2018	\$ 80,000	\$ 61,253	\$ 141,253	\$ 79,152
2019	80,000	59,853	139,853	79,150
2020	80,000	58,253	138,253	79,150
2021	85,000	56,553	141,553	75,250
2022	85,000	54,853	139,853	73,793
2023 - 2027	475,000	237,363	712,363	349,148
2028 - 2032	555,000	161,925	716,925	319,878
2033 - 2037	520,000	55,251	575,251	319,879
2038 - 2042	-	-	-	296,678
2043 - 2046	-	-	-	43,940
Total	<u>\$ 1,960,000</u>	<u>\$ 745,304</u>	<u>\$ 2,705,304</u>	<u>\$ 1,716,018</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

Year Ended	USDA loan		
	Principal	Interest	Total
2018	\$ 41,000	\$ 77,058	\$ 118,058
2019	42,000	75,790	117,790
2020	43,000	74,548	117,548
2021	45,000	73,158	118,158
2022	46,000	71,630	117,630
2023 - 2027	259,000	333,829	592,829
2028 - 2032	303,000	289,471	592,471
2033 - 2037	354,000	236,538	590,538
2038 - 2042	416,000	175,235	591,235
2043 - 2047	488,000	103,013	591,013
2048 - 2051	331,000	21,979	352,979
Total	<u>\$ 2,368,000</u>	<u>\$ 1,532,249</u>	<u>\$ 3,900,249</u>

**D. Legal Debt Margin**

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, at December 31, 2017, the County's total legal debt margin was \$19,695,101 and the unvoted legal debt margin was \$6,473,953.

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the County.

Employees earn sick leave at a rate of 4.60 hours of sick leave for each completed 80 hours in active pay status. Sick leave accumulation is unlimited. Upon retirement or death, an employee can be paid twenty-five percent to a maximum of 30 days of accumulated, unused sick leave. As of December 31, 2017, the County's total liability for unpaid compensated absences was \$1,237,768.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

#### NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)

##### B. Health Insurance

The County provides health insurance to its employees through a self-insured program. See Note 12.C for more detail.

#### NOTE 12 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. Settled claims have not exceeded the County's commercial coverages in any of the past three years. There have not been significant reductions in insurance coverage from the prior year. The County pays all elected officials' bonds by statute.

##### A. Property and Liability

The County is a member of County Risk Sharing Authority, Inc. (CORSA), which is a shared risk pool of 65 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 CORSA 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 one 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.

With the exception of health insurance and workers' compensation, all insurance is held with CORSA.

##### B. Workers' Compensation

For 2017, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. (See Note 2.A.). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria.

The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 12 - RISK MANAGEMENT - (Continued)**

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representatives of the Plan to access loss experience for three years following the last year of participation.

**C. Employee Medical and Prescription Drug**

Effective January 1, 2017, the County established a self-insurance program (the "Program") for medical and prescription drug benefits. The County has established an internal service fund to account for the Program's activity. The Program is administered through a third-party administrator (AultCare) who manages and processes the claims. The County makes required payments to the third-party administrator to reimburse them for the claim payments. The County's stop-loss coverage through the Program is limited to \$50,000 per claimant. The County's policy for reporting a claims liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. The County has reported a liability in both the fund and government-wide financial statements amounting to \$86,310 for estimated claims payments incurred and due at year-end. Year ended December 31, 2017 was the first year the County operated the self-insurance program, a two-year comparison will be presented in the subsequent year as the information is available. Changes in the claims payable in 2017 follows:

Year	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2017	\$ <u>          -</u>	\$ <u>  1,448,745</u>	\$ <u> (1,362,435)</u>	\$ <u>     86,310</u>

**NOTE 13 - 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.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

#### NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 *due to other governments* 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.

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.



**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% 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%.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% 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:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2017 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
<b>2017 Actual Contribution Rates</b>			
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.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

#### NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 \$1,493,958 for 2017. Of this amount, \$81,655 is reported as due to other governments.

#### *Plan Description - State Teachers Retirement System (STRS)*

Plan Description – County licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015 and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5% of the 13% member rate goes to the DC Plan and the remaining 1.5% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the year ending December 31, 2017, plan members were required to contribute 14% of their annual covered salary. The County was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The 2017 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$63,362 for 2017. Of this amount, \$2,457 is reported as due to other governments.

***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. STRS total pension liability was measured as of June 30, 2017 and was determined by rolling forward the total pension liability as of that date. The County's proportion of the net pension liability or asset was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	STRS	Total
Proportion of the net pension liability/asset prior measurement date	0.09983300%	0.07203000%	0.03854000%	0.00457000%	
Proportion of the net pension liability/asset current measurement date	<u>0.10067100%</u>	<u>0.06454300%</u>	<u>0.04034800%</u>	<u>0.00438642%</u>	
Change in proportionate share	<u>0.00083800%</u>	<u>(0.00748700)%</u>	<u>0.00180800%</u>	<u>(0.00018358)%</u>	
Proportionate share of the net pension liability	\$ 20,562,919	\$ -	\$ -	\$ 1,042,003	\$ 21,604,922
Proportionate share of the net pension (asset)	-	(32,312)	(151)	-	(32,463)
Pension expense	4,308,848	23,344	186	(446,237)	3,886,141

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 13 - 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	STRS	Total
<b>Deferred outflows of resources:</b>					
Differences between expected and actual experience	\$ 27,871	\$ -	\$ 1,539	\$ 40,237	\$ 69,647
Net difference between projected and actual earnings on pension plan investments	3,062,291	7,884	130	-	3,070,305
Changes of assumptions	3,261,527	7,875	170	227,898	3,497,470
Changes in employer's proportionate percentage/difference between employer contributions and proportionate share of contributions	19,732	-	-	39,295	59,027
County contributions subsequent to the measurement date	1,437,262	36,974	19,722	32,220	1,526,178
Total deferred outflows of resources	<u>\$ 7,808,683</u>	<u>\$ 52,733</u>	<u>\$ 21,561</u>	<u>\$ 339,650</u>	<u>\$ 8,222,627</u>
<b>Deferred inflows of resources:</b>					
Differences between expected and actual experience	\$ 122,380	\$ 16,525	\$ -	\$ 8,398	\$ 147,303
Net difference between projected and actual earnings on pension plan investments	-	-	-	34,388	34,388
Changes in employer's proportionate percentage/difference between employer contributions and proportionate share of contributions	75,583	-	-	58,480	134,063
Total deferred outflows of resources	<u>\$ 197,963</u>	<u>\$ 16,525</u>	<u>\$ -</u>	<u>\$ 101,266</u>	<u>\$ 315,754</u>

\$1,526,178 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.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 13 - 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	STRS	Total
2018	\$ 2,513,924	\$ 1,531	\$ 270	\$ 40,278	\$ 2,556,003
2019	2,659,954	1,531	268	87,055	2,748,808
2020	1,089,344	1,190	261	70,092	1,160,887
2021	(89,764)	(1,603)	214	8,739	(82,414)
2022	-	(1,309)	218	-	(1,091)
Thereafter	-	(2,106)	608	-	(1,498)
<b>Total</b>	<b>\$ 6,173,458</b>	<b>\$ (766)</b>	<b>\$ 1,839</b>	<b>\$ 206,164</b>	<b>\$ 6,380,695</b>

**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 COLA or ad hoc COLA	3.25% to 10.75% including wage inflation 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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

#### NOTE 13 - 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.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.75 %
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	<u>100.00 %</u>	<u>5.66 %</u>

**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	\$ 31,414,451	\$ 20,562,919	\$ 11,520,081
Combined Plan	2,322	(32,312)	(59,217)
Member-Directed Plan	363	(151)	(363)



**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS*

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected salary increases	2.50% at age 65 to 12.50% at age 20
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017

Post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016; pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016; and post-retirement disabled mortality rates are based on RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. The 2016 year mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022–Scale AA) for Males and Females. Males’ ages were set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 were set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study, effective July 1, 2017. As a result of the experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the COLA was reduced to zero, (b) inflation assumptions were lowered from 2.75% to 2.50%, (c) Investment return assumptions were lowered from 7.75% to 7.45%, (d) total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (e) payroll growth assumptions were lowered to 3.00%, (f) updated the health and disability mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016 and (g) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

The 10-year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicated that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. A discount rate of 7.75% was used in the previous measurement period. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 % was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**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 calculated using the current period discount rate assumption of 7.45%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75%) or one-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
County's proportionate share of the net pension liability	\$ 1,493,677	\$ 1,042,003	\$ 661,537

**NOTE 14 - 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.

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.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

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 \$129,996, \$244,687, and \$200,397, respectively; 95.44% 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 due to other governments on the basic financial statements.

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

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

**B. State Teachers Retirement System**

Plan Description – The County participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The County did not make any contributions for health care for the fiscal years ended December 31, 2017, 2016 and 2015.

**NOTE 15 - 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, County Board of DD fund and motor vehicle license and gas tax 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).

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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:

**Net Change in Fund Balance**

	<u>General fund</u>	County <u>Board of DD</u>	Motor vehicle license and <u>Gas tax</u>
Budget basis	\$ 2,511,399	\$ 126,017	\$ (781,875)
Net adjustment for revenue accruals	69,040	98,537	467,690
Net adjustment for expenditure accruals	(51,914)	(68,046)	(118,517)
Funds budgeted elsewhere	(262,705)	-	-
Adjustment for encumbrances	<u>19,815</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$ 2,285,635</u>	<u>\$ 156,508</u>	<u>\$ (432,702)</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 IT computer fund, employee expended fund, recorder's equipment fund, certificate of title fund, unclaimed monies fund, forfeited lands fund, sheriff's policing rotary fund, jail kitchen fund and OPERS transfers fund.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The County received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at December 31, 2017.

**B. Litigation**

The County is party to legal proceedings. The County's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material adverse effect, if any, on the financial condition of the County at December 31, 2017.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 17 - 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	County Board of DD	Motor Vehicle License and Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 87,063	\$ 11,147	\$ 354,147	\$ 40,896	\$ 493,253
Prepayments	62,899	4,289	-	14,356	81,544
Unclaimed monies	<u>36,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,959</u>
Total nonspendable	<u>186,921</u>	<u>15,436</u>	<u>354,147</u>	<u>55,252</u>	<u>611,756</u>
Restricted:					
Capital projects	-	-	-	830,407	830,407
Debt service	-	-	-	82,024	82,024
Public works projects	-	-	922,010	1,490,999	2,413,009
Public safety programs	-	-	-	584,721	584,721
Health	-	-	-	175,347	175,347
Human services programs	-	2,254,258	-	6,121,549	8,375,807
Real estate assessment	-	-	-	1,050,413	1,050,413
Court special projects	-	-	-	247,487	247,487
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>583,396</u>	<u>583,396</u>
Total restricted	<u>-</u>	<u>2,254,258</u>	<u>922,010</u>	<u>11,166,343</u>	<u>14,342,611</u>
Committed:					
Capital projects	-	-	-	442,419	442,419
Jail kitchen	6,428	-	-	-	6,428
Compensated absences	299,862	-	-	-	299,862
Employee benefits	<u>276,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,472</u>
Total committed	<u>582,762</u>	<u>-</u>	<u>-</u>	<u>442,419</u>	<u>1,025,181</u>
Assigned:					
Subsequent year appropriations	1,360,457	-	-	-	1,360,457
Public safety programs	217,840	-	-	-	217,840
Legislative and executive	17,076	-	-	-	17,076
Judicial	<u>2,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,037</u>
Total assigned	<u>1,597,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,597,410</u>
Unassigned (deficit)	<u>7,879,203</u>	<u>-</u>	<u>-</u>	<u>(3,965)</u>	<u>7,875,238</u>
Total fund balances	<u>\$ 10,246,296</u>	<u>\$ 2,269,694</u>	<u>\$ 1,276,157</u>	<u>\$ 11,660,049</u>	<u>\$ 25,452,196</u>

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 18 - 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 did not have any commitments for encumbrances in the governmental funds.

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 19,113
Nonmajor Governmental Funds	<u>3,424</u>
Total	<u>\$ 22,537</u>

**NOTE 19 - LANDFILL CLOSURE AND POSTCLOSURE CARE COST**

State and federal regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County closed the landfill during 2011, issuing bonds to help fund the cost of closure. The liability reported at December 31, 2017, of \$1,990,249 represents the estimated remaining postclosure care costs. This amount represents an estimate of what it would cost to perform all postclosure care at December 31, 2017. However, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 20 - RELATED PARTY TRANSACTIONS**

During 2017, Holmes County provided facilities, certain equipment, transportation and salaries for administration, implementation and supervision of programs to Lynn Hope Industries, Inc. Lynn Hope Industries, Inc., a discretely presented component unit of Holmes County, reported \$360,775 for in-kind contributions. Lynn Hope Industries, Inc. recorded operating revenues and expenses at cost or fair value as applicable, to the extent the contribution is related to the vocational purpose of the Workshop. In addition, the Holmes County Board of DD paid \$29,547 to Lynn Hope Industries, Inc. for services provided during 2017.

**NOTE 21 - HOLMES COUNTY REGIONAL PLANNING COMMISSION**

The Holmes County Regional Planning Commission (the "Commission") is governed by an eleven-member Board, of which seven are appointed by the County. The County provides ongoing financial support to the Commission; resulting in the Commission imposing a financial burden on the County. Therefore, the Commission has been included as a component unit of the County. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the County.

**A. Basis of Accounting**

For reporting on the government-wide financial statements, the Commission follows the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when incurred. All assets and liabilities of the Commission are reported on the Statement of Net Position and financial transactions of the Commission are reflected in the Statement of Activities.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 21 - HOLMES COUNTY REGIONAL PLANNING COMMISSION - (Continued)**

**B. Deposits and Investments**

The County acts as the custodian of the Commission's funds. Cash and cash equivalents of the Commission are pooled and invested by the County. Information regarding the classification of the County's deposits and investments per GASB Statement No. 40 may be found in Note 4.

**C. Compensated Absences**

The Commission records liabilities for vacation and sick leave accumulated by its employees at the same rate as the County. At December 31, 2017, vacation and sick leave liability were \$2,248 and \$8,741, respectively. The entire compensated absences liability is reported on the government-wide financial statements.

**NOTE 22 - LYNN HOPE INDUSTRIES, INC.**

**A. Summary of Significant Accounting Policies**

Business Activity - Lynn Hope Industries, Inc. (the "Organization") is a sheltered workshop located in Holmesville, Ohio. The Organization offers a variety of goods and services for sale. The Organization extends credit to its customers, substantially all of whom are local businesses. The Organization, which contracts to provide services to the Holmes County Board of Developmental Disabilities, is reported as a discretely presented component unit in the County's financial statements.

Basis of Presentation - The Organization has adopted Financial Accounting Standards Board Statement of Accounting Standards (FAS) No. 958 (Financial Statements of Not-for-Profit Organizations) for presentation of its financial statements.

Property and Equipment - Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the statutory lives of the related assets as allowed by the Internal Revenue Service. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income.

Depreciation is based on the following policies:

<u>Description</u>	<u>Useful Life (In Years)</u>	<u>Method</u>
Equipment	3 - 10	Straight-line
Vehicles	5	Straight-line
Furniture and fixtures	7	Straight-line
Building improvements	20	Straight-line

Federal Income Tax - The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

Designation of Contributions - Contributors to the Organization have the ability to designate the programs to be benefited by their contributions. During the year ended December 31, 2017, there were no restricted contributions to the Organization.



**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 22 - LYNN HOPE INDUSTRIES, INC. - (Continued)**

Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Revenue recognition - The Organization recognizes revenue upon delivery of products to customers and service completion.

**B. Non-Cash Transactions**

The Organization received in-kind services and facilities for the year ended December 31, 2017 from the Holmes County Board of DD. The value of the in-kind contribution was determined to be \$360,775 and is recorded in operating grants and operating expenses as an equivalent amount.

**C. Deposits and Investments**

The carrying amount of the Organization's deposits at year end was \$458,743. The entire balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

**D. Related Parties**

Total revenues from contracts to provide services to the Holmes County Board of DD were \$29,547 for the year ended December 31, 2017. The Organization had \$8,601 in accounts receivable from the Holmes County Board of DD at December 31, 2017.

**E. Long-Term Liabilities**

Note payable - bank - This note was issued for the purpose of constructing the workshop. Monthly payments of \$1,340 include interest at 5%. The final payment is due May 2020. The note is not collateralized.

Note payable	\$ 23,718
Less: current portion	<u>(15,239)</u>
Total	<u>\$ 8,479</u>

Principal amounts of note payable in the years ending December 31:

2018	\$ 15,239
2019	<u>8,479</u>
Total	<u>\$ 23,718</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 22 - LYNN HOPE INDUSTRIES, INC. - (Continued)**

**F. Capital Assets**

A summary of capital assets at December 31, 2017 follows:

Equipment	76,730
Vehicles	135,952
Furniture and fixtures	9,854
Building improvements	<u>2,971</u>
Subtotal	225,507
Less: accumulated depreciation	<u>(206,342)</u>
Net capital assets	<u>19,165</u>

**NOTE 23 - HOLMES COUNTY AIRPORT AUTHORITY**

The Holmes County Airport Authority (the "Airport Authority") Board consists of seven members who are appointed by the County Commissioners of Holmes County. The County provides ongoing financial support to the Airport Authority; resulting in the Airport Authority imposing a financial burden on the County. Based on this relationship, the Airport Authority is a component unit of Holmes County. Separately issued financial statements can be obtained from Holmes County Airport Authority of Holmes County.

**A. Basis of Accounting**

The Airport Authority follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income, financial position and cash flows. All transactions are accounted for in a single enterprise fund.

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

*Equipment and Depreciation* - Property, plant, and equipment are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation is provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Useful Live (In Years)</u>
Land improvements	50
Buildings and improvements	20 - 50
Equipment	10 - 30

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 23 - HOLMES COUNTY AIRPORT AUTHORITY - (Continued)**

A summary of capital assets at December 31, 2017 follows:

Land	\$ 54,357
Land improvements	5,291,166
Buildings and improvements	1,411,450
Equipment	<u>415,009</u>
Subtotal	7,171,982
Less: accumulated depreciation	<u>(745,596)</u>
Net capital assets	<u>\$ 6,426,386</u>

**B. Deposits with Financial Institutions**

Monies held by the Airport Authority are held in separate accounts. The Airport Authority invests in a NOW checking account and a money market savings account.

At December 31, 2017, the carrying amount and bank balance of the Airport Authority's deposits was \$51,437. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2017 the entire balance was covered by the FDIC.

**NOTE 24 - OPERATING LEASE**

At the beginning of 2016, the County entered into an operating lease with the Pomerene Foundation for the rental of the Joel Pomerene Memorial Hospital and the surrounding land. The Foundation must pay \$15,000 per year, adjusted for inflation, to charity care, providing health-related benefits to the citizens of Holmes County.

**NOTE 25 - TAX ABATEMENTS**

As of December 31, 2017, the County provides tax abatements through two programs: Community Reinvestment Area (CRA) and Enterprise Zone (Ezone). These programs relate to the abatement of property taxes.

CRA - Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 25 - TAX ABATEMENTS - (Continued)**

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The County has entered into agreements to abate property taxes through these programs. During 2017, the County's property tax revenues were reduced as a result of these agreements as follows:

<u>Tax Abatement Program</u>	<u>County Taxes Abated</u>
CRA	\$ 3,157
Ezone	<u>65,687</u>
Total	<u>\$ 68,844</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**HOLMES 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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>				
County's proportion of the net pension liability	0.100671%	0.099833%	0.184390%	0.184390%
County's proportionate share of the net pension liability	\$ 20,562,919	\$ 15,480,900	\$ 20,916,180	\$ 20,443,753
County's covered payroll	\$ 10,696,317	\$ 20,937,183	\$ 20,624,208	\$ 23,104,608
County's proportionate share of the net pension liability as a percentage of its covered payroll	192.24%	73.94%	101.42%	88.48%
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	0.064543%	0.072030%	0.202512%	0.202512%
County's proportionate share of the net pension asset	\$ 32,312	\$ 31,379	\$ 74,865	\$ 20,403
County's covered payroll	\$ 251,242	\$ 851,408	\$ 740,250	\$ 768,454
County's proportionate share of the net pension asset as a percentage of its covered payroll	12.86%	3.69%	10.11%	2.66%
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	0.040348%	0.038540%		
County's proportionate share of the net pension asset	\$ 151	\$ 132		
County's covered payroll	\$ 165,817	\$ 210,258		
County's proportionate share of the net pension asset as a percentage of its covered payroll	0.09%	0.06%		
Plan fiduciary net position as a percentage of the total pension asset	103.40%	103.91%		

Note: Information prior to 2014 for the Traditional Plan and Combined Plan was unavailable. Information prior to 2015 for the Member Directed Plan 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

**HOLMES COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.00438642%	0.00457000%	0.00435302%	0.00435302%
County's proportionate share of the net pension liability	\$ 1,042,003	\$ 1,529,717	\$ 1,203,047	\$ 1,102,636
County's covered payroll	\$ 508,529	\$ 490,221	\$ 490,221	\$ 460,864
County's proportionate share of the net pension liability as a percentage of its covered payroll	204.91%	312.05%	245.41%	239.25%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%

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

**HOLMES COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>					
Contractually required contribution	\$ 1,437,262	\$ 1,283,558	\$ 2,512,462	\$ 2,474,905	\$ 3,003,599
Contributions in relation to the contractually required contribution	<u>(1,437,262)</u>	<u>(1,283,558)</u>	<u>(2,512,462)</u>	<u>(2,474,905)</u>	<u>(3,003,599)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 11,055,862	\$ 10,696,317	\$ 20,937,183	\$ 20,624,208	\$ 23,104,608
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%	13.00%
<i>Combined Plan:</i>					
Contractually required contribution	\$ 36,974	\$ 30,149	\$ 102,169	\$ 88,830	\$ 99,899
Contributions in relation to the contractually required contribution	<u>(36,974)</u>	<u>(30,149)</u>	<u>(102,169)</u>	<u>(88,830)</u>	<u>(99,899)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 284,415	\$ 251,242	\$ 851,408	\$ 740,250	\$ 768,454
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%	13.00%
<i>Member Directed Plan:</i>					
Contractually required contribution	\$ 19,722	\$ 19,898	\$ 25,231		
Contributions in relation to the contractually required contribution	<u>(19,722)</u>	<u>(19,898)</u>	<u>(25,231)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
County's covered payroll	\$ 197,220	\$ 165,817	\$ 210,258		
Contributions as a percentage of covered payroll	10.00%	12.00%	12.00%		

Note: Information prior to 2013 for the Traditional Plan and Combined Plan was unavailable. Information prior to 2015 for the Member Directed Plan was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



**HOLMES COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 63,362	\$ 71,194	\$ 68,631	\$ 64,521
Contributions in relation to the contractually required contribution	<u>(63,362)</u>	<u>(71,194)</u>	<u>(68,631)</u>	<u>(64,521)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 452,586	\$ 508,529	\$ 490,221	\$ 460,864
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$ 64,251	\$ 71,717	\$ 76,235	\$ 82,934	\$ 91,119	\$ 111,128
<u>(64,251)</u>	<u>(71,717)</u>	<u>(76,235)</u>	<u>(82,934)</u>	<u>(91,119)</u>	<u>(111,128)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 494,238	\$ 551,669	\$ 586,423	\$ 637,954	\$ 700,915	\$ 854,831
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

## HOLMES COUNTY, OHIO

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

#### *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%.

#### *STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2016. For 2017, the Cost of Living Adjustment (COLA) was reduced to 0% effective July 1, 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) the COLA was reduced to zero, (b) inflation assumptions were lowered from 2.75% to 2.50%, (c) Investment return assumptions were lowered from 7.75% to 7.45%, (d) total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (e) payroll growth assumptions were lowered to 3.00%, (f) updated the health and disability mortality assumption to the "RP-2014" mortality tables with generational improvement scale MP-2016 and (g) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

## **SUPPLEMENTARY INFORMATION**

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

FEDERAL GRANTOR SUB GRANTOR/ PROGRAM TITLE	Federal CFDA Number	PASS-THROUGH GRANT NUMBER	(C) PASSED THROUGH TO SUBRECIPIENTS	(A) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>PASSED THROUGH THE OHIO ENVIRONMENTAL PROTECTION AGENCY</i>				
Nonpoint Source Implementation Grants	66.460	C9975500016CWA319(h)		\$ 39,132
<i>PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</i>				
<b>SNAP Cluster:</b>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5528/G-1819-11-5755		164,320
<b>Total SNAP Cluster:</b>				<u>164,320</u>
<b>Total U.S. Department of Agriculture</b>				<u>203,452</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>PASSED THROUGH THE OHIO DEPARTMENT OF SERVICES AGENCY</i>				
Community Development Block Grants/State's Program	14.228	B-C-16-1B1-1		100,624
Community Development Block Grants/State's Program	14.228	B-F-16-1B1-1		10,398
<b>Total Community Development Block Grants/State's Programs</b>				<u>111,022</u>
Home Investment Partnerships Program	14.239	B-C-16-1B-1-2		142,942
<b>Total U.S. Department of Housing and Urban Development</b>				<u>253,964</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>PASSED THROUGH THE OHIO ATTORNEY GENERAL'S OFFICE</i>				
Crime Victim Assistance	16.575	2017-VOCA-43559061		51,600
<b>Total U.S. Department of Justice</b>				<u>51,600</u>
<b>U.S. DEPARTMENT OF LABOR</b>				
<i>PASSED THROUGH OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES AND AREA 7 WORKFORCE INVESTMENT BOARD</i>				
<b>Employment Service Cluster:</b>				
Employment Service/Wagner-Peyser Funded Activities	17.207	2016-7238-1		3,000
<b>Total Employment Service Cluster</b>				<u>3,000</u>
<b>WIOA Cluster:</b>				
WIOA Adult Program	17.258	2016-7238-1		34,646
(C) WIOA Youth Activities	17.259	2016-7238-1	\$ 54,851	54,851
WIOA Dislocated Worker	17.278	2016-7238-1		38,555
<b>Total WIOA Cluster</b>			<u>54,851</u>	<u>128,052</u>
<b>Total U.S. Department of Labor</b>			<u>\$ 54,851</u>	<u>131,052</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<b>FEDERAL AVIATION ADMINISTRATION (FAA)</b>				
Airport Improvement Program	20.106	3-39-0056-1012		502,705
Airport Improvement Program	20.106	3-39-0056-013-2015		10,030
<b>Total Airport Improvement Program</b>				<u>512,735</u>
<i>PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION</i>				
<b>Highway Planning and Construction Cluster:</b>				
Highway Planning and Construction	20.205	100093		119,482
Highway Planning and Construction	20.205	103460		3,780
<b>Total Highway Planning and Construction Cluster</b>				<u>123,262</u>
<i>PASSED THROUGH THE OHIO TRAFFIC SAFETY OFFICE</i>				
<b>Highway Safety Cluster:</b>				
State and Community Highway	20.600	FFY2017 IDEA-STEP		28,004
<b>Total Highway Safety Cluster</b>				<u>28,004</u>
<b>Total U.S. Department of Transportation</b>				<u>664,001</u>

- Continued

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

FEDERAL GRANTOR SUB GRANTOR/ PROGRAM TITLE	Federal CFDA Number	PASS-THROUGH GRANT NUMBER	(C) PASSED THROUGH TO SUBRECIPIENTS	(A) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>PASSED THROUGH THE</i>				
<i>OHIO DEPARTMENT OF EDUCATION</i>				
<b>Special Education Cluster:</b>				
(B) IDEA Part B	84.027	N/A		57,536
<b>Total Special Education Cluster</b>				<u>57,536</u>
Special Education - Grants to Infants and Families	84.181	03810021HG0817		33,234
Special Education - Grants to Infants and Families	84.181	H181A170024		34,730
<b>Total Special Education - Grants to Infants and Families</b>				<u>67,964</u>
<b>Total U.S. Department of Education</b>				<b>\$ 125,500</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>PASSED THROUGH THE</i>				
<i>OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</i>				
Promoting Safe & Stable Families	93.556	G-1617-11-5528/G-1819-11-5755		54,780
<b>TANF Cluster:</b>				
(C) Temporary Assistance for Needy Families (TANF) State Program - Summer Youth	93.558	G-1617-11-5528/G-1819-11-5755	\$ 18,440	36,633
Temporary Assistance for Needy Families (TANF) State Program - Administration	93.558	G-1617-11-5528/G-1819-11-5755		488,570
(C) Temporary Assistance for Needy Families (TANF) State Program	93.558	G-1617-11-5528/G-1819-11-5755	401,188	555,997
Temporary Assistance for Needy Families (TANF) Fraud Awareness	93.558	G-1617-11-5528/G-1819-11-5755		2,000
<b>Total TANF Cluster</b>			<u>419,628</u>	<u>1,083,200</u>
Child Support Enforcement	93.563	G-1617-11-5528/G-1819-11-5755		456,964
<b>CCDF Cluster:</b>				
Child Care and Development Block Grant - Admin	93.575	G-1617-11-5528/G-1819-11-5755		14,186
Child Care and Development Block Grant	93.575	G-1617-11-5528/G-1819-11-5755		25,500
<b>Total CCDF Cluster</b>				<u>39,686</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1617-11-5528/G-1819-11-5755		45,154
Foster care Title IV - E	93.658	G-1617-11-5528/G-1819-11-5755		115,406
Foster care Title IV - E - FCM Portion	93.658	G-1617-11-5528/G-1819-11-5755		4,717
Foster care Title IV - E Admin and Training - FCM Portion	93.658	G-1617-11-5528/G-1819-11-5755		94,178
<b>Total Foster care Title IV - E</b>				<u>214,301</u>
Adoption Assistance	93.659	G-1617-11-5528/G-1819-11-5755		1,939
Adoption Assistance - AA portion	93.659	G-1617-11-5528/G-1819-11-5755		5,032
Adoption Assistance Admin and Training - AA Portion	93.659	G-1617-11-5528/G-1819-11-5755		118,401
<b>Total Adoption Assistance</b>				<u>125,372</u>
Chafee Foster Care Independence Program	93.674	G-1617-11-5528 / G-1819-11-5755		840
<b>PASSED THROUGH THE</b>				
<i>OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES</i>				
Social Services Block Grant	93.667	G-1617-11-5528/G-1819-11-5755		494,023
(B) Social Services Block Grant	93.667	N/A		22,826
<b>Total Social Services Block Grant</b>				<u>516,849</u>
<b>Medicaid Cluster:</b>				
Medical Assistance Program	93.778	G-1617-11-5528/G-1819-11-5755		500,764
(B) Medical Assistance Program	93.778	N/A		96,724
<b>Total Medicaid Cluster</b>				<u>597,488</u>
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 419,628</b>	<b>3,134,634</b>

- Continued

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

<b>FEDERAL GRANTOR SUB GRANTOR/ PROGRAM TITLE</b>	<b>Federal CFDA Number</b>	<b>PASS-THROUGH GRANT NUMBER</b>	<b>(C) PASSED THROUGH TO SUBRECIPIENTS</b>	<b>(A) CASH FEDERAL DISBURSEMENTS</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<i>PASSED THROUGH THE</i>				
<i>OHIO DEPARTMENT OF PUBLIC SAFETY</i>				
Emergency Management Performance Grants	97.042	EMC-2016-EP-00003-S01		11,443
Emergency Management Performance Grants	97.042	EMC-2017-EP-00006-S01		6,062
<b>Total Emergency Management Performance Grants</b>				<u>17,505</u>
<b>Total U.S. Department of Homeland Security</b>				<u>17,505</u>
<b>Total Federal Financial Assistance</b>			<b>\$ 474,479</b>	<b>\$ 4,581,708</b>

**Notes to the Schedule of Expenditures of Federal Awards:**

- (A) This schedule includes the federal award activity of Holmes County under programs of the federal government for the year ended December 31, 2017 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Holmes County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Holmes County.
- (B) Pass-through numbers were unable to be obtained for these grants.
- (C) The County passes certain federal awards received from various agencies to other governments or not-for-profit agencies (subrecipients). As Note A describes, the County reports expenditures of Federal awards to subrecipients when paid in cash. As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.
- (D) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimus rate of 10% of modified total direct costs to indirect costs. The County has not elected to use the 10% de minimus indirect cost rate.

**Note 1**

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



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Holmes County  
2 Court Street, Suite 14  
Millersburg, Ohio 44654

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Holmes County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Holmes County's basic financial statements and have issued our report thereon June 28, 2018, wherein we noted in Note 3.C., the County had a prior period adjustment in net position due to the County enacting a self-insurance internal service fund from money that was earmarked in an agency fund for this purpose.

#### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.



Board of Commissioners  
Holmes County

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Julian & Grube, Inc.  
June 28, 2018



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

**Independent Auditor's Report on Compliance With Requirements Applicable to  
the Major Federal Program and on Internal Control Over Compliance  
Required by the *Uniform Guidance***

Holmes County  
2 Court Street, Suite 14  
Millersburg, Ohio 44654

To the Board of Commissioners:

***Report on Compliance for the Major Federal Program***

We have audited Holmes County's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Holmes County's major federal program for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies Holmes County's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on the Major Federal Program***

In our opinion, Holmes County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal program for the year ended December 31, 2017.

Board of Commissioners  
Holmes County

***Report on Internal Control Over Compliance***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily 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.

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



Julian & Grube, Inc.  
June 28, 2018

**HOLMES COUNTY**  
**SCHEDULE OF FINDINGS**  
**2 CFR § 200.515**  
**DECEMBER 31, 2017**

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



# Dave Yost • Auditor of State

HOLMES 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, 20 2018