

**HOLMES COUNTY, OHIO**

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

***FOR THE YEAR ENDED***  
***DECEMBER 31, 2012***

**JACKIE MCKEE, AUDITOR**





# Dave Yost • Auditor of State

Board of Commissioners  
Holmes County  
75 East Clinton Street  
Millersburg, Ohio 44654

We have reviewed the *Independent Auditor's Report* of Holmes County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2012. 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

July 24, 2013

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HOLMES COUNTY

BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

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

## Independent Auditor's Report

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, 2012 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 did not audit the financial statements of the Joel Pomerene Memorial Hospital, a major Enterprise Fund, which represents 67.64% of total assets, 79.92% of total net position and 94.55% of total revenue of the business-type activities. The financial statements of Joel Pomerene Memorial Hospital were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Joel Pomerene Memorial Hospital, is based on the report of the other auditors. We conducted our audit 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 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.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Holmes County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, County Board of DD, 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 in Note 3 to the financial statements, during 2012, Holmes County adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to 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*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Supplementary and Other Information***

Our audit was conducted to opine on Holmes County's basic financial statements taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, 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 14, 2013



## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012. 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 2012 are as follows:

- The total net position of the County increased \$4,180,854. Net position of governmental activities increased \$3,202,908, which represents a 9.83% increase over fiscal year 2011. Net position of business-type activities increased \$977,946 or 3.47% from fiscal year 2011. Net position of governmental activities has been restated as described in Note 3.A.
- General revenues accounted for \$13,295,327 or 42.33% of total governmental activities revenue. Program specific revenues accounted for \$18,116,717 or 57.67% of total governmental activities revenue.
- The County had \$28,209,136 in governmental activities expenses; \$18,116,717 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$13,295,327 were adequate to provide for these programs.
- The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$11,275,687 in 2012, an increase of \$1,314,684 or 13.20% from 2011. The general fund had expenditures and other financing uses of \$10,394,675 in 2012, an increase of \$1,073,858 or 11.52% from 2011. The net changes in revenues and expenditures contributed to the general fund balance increase of \$881,012 or 36.31% from 2011 to 2012.
- The county board of developmental disabilities (DD) fund, a major governmental fund, had revenues of \$5,273,402 in 2012, a decrease of \$573,342 or 9.81% from 2011. The DD fund had expenditures and other financing uses of \$4,734,112 in 2012, a decrease of \$700,199 or 12.88% from 2011. The net changes in revenues and expenditures contributed to the DD fund balance increase of \$539,290 or 27.34% from 2011 to 2012.
- The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$5,458,175 in 2012, an increase of \$610,654 or 12.60% from 2011. The motor vehicle license and gas tax fund had expenditures of \$4,732,597 in 2012, a decrease of \$423,037 or 8.21% from 2011. The motor vehicle license and gas tax fund balance increased \$725,578 or 58.89% from 2011 to 2012.
- Net position for the business-type activities, which is made up of the sewer district, East Holmes water and Joel Pomerene Memorial Hospital enterprise funds, increased in 2012 by \$977,946 or 3.47%.
- Total long-term liabilities for the County decreased \$2,146,408 in 2012, which is mostly the result of paying a significant portion of the landfill closure and post-closure care liability.

#### **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, 2012

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 2012?" 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 15-17 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 funds are the sewer district and Joel Pomerene Memorial Hospital. The analysis of the County's major governmental and proprietary funds begins on page 10.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

#### ***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 18-21 and the budgetary statements for the general and major special revenue funds can be found on pages 22-24 of this report.

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

The County maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its sewer district, water district and the Joel Pomerene Memorial Hospital operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County has no internal service funds. The basic proprietary fund financial statements can be found on pages 25-29 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 30 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 31-76 of this report.

**HOLMES COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Government-Wide Financial Analysis**

The statement of net position provides the perspective of the County as a whole. The table below provides a summary of the County's net position for 2012 and 2011. The net position of governmental activities at December 31, 2011 has been restated as described in Note 3.A.

**Net Position**

	Governmental Activities 2012	Business-type Activities 2012	Restated Governmental Activities 2011	Business-type Activities 2011	2012 Total	Restated 2011 Total
<u>Assets</u>						
Current and other assets	\$ 26,212,957	\$ 15,743,485	\$ 25,275,170	\$ 14,755,722	\$ 41,956,442	\$ 40,030,892
Capital assets	<u>25,163,118</u>	<u>23,780,255</u>	<u>25,425,000</u>	<u>22,980,722</u>	<u>48,943,373</u>	<u>48,405,722</u>
Total assets	<u>51,376,075</u>	<u>39,523,740</u>	<u>50,700,170</u>	<u>37,736,444</u>	<u>90,899,815</u>	<u>88,436,614</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	8,436,843	8,041,762	11,097,982	7,527,031	16,478,605	18,625,013
Other liabilities	<u>1,428,831</u>	<u>2,343,094</u>	<u>1,402,618</u>	<u>2,048,475</u>	<u>3,771,925</u>	<u>3,451,093</u>
Total liabilities	<u>9,865,674</u>	<u>10,384,856</u>	<u>12,500,600</u>	<u>9,575,506</u>	<u>20,250,530</u>	<u>22,076,106</u>
Deferred inflows	<u>5,723,803</u>	<u>-</u>	<u>5,615,880</u>	<u>-</u>	<u>5,723,803</u>	<u>5,615,880</u>
<u>Net Position</u>						
Net investment in capital assets	22,787,903	15,740,520	22,532,112	15,481,293	38,528,423	38,013,405
Restricted	13,553,999	658,837	13,568,078	733,368	14,212,836	14,301,446
Unrestricted (deficit)	<u>(555,304)</u>	<u>12,739,527</u>	<u>(3,516,500)</u>	<u>11,946,277</u>	<u>12,184,223</u>	<u>8,429,777</u>
Total net position	<u>\$ 35,786,598</u>	<u>\$ 29,138,884</u>	<u>\$ 32,583,690</u>	<u>\$ 28,160,938</u>	<u>\$ 64,925,482</u>	<u>\$ 60,744,628</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2012, the County's assets exceeded liabilities and deferred inflows by \$64,925,482. This amounts to \$35,786,598 in governmental activities and \$29,138,884 in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 53.84% of total governmental and business-type assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, construction in progress and infrastructure. The net investment in capital assets at December 31, 2012, was \$38,528,423. These capital assets are used to provide services to citizens and are not available for future spending.

As of December 31, 2012, the County is able to report positive balances in all three categories of net position for business-type activities. A portion of the County's governmental activities net position, \$13,553,999 or 37.87%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities is a deficit of \$555,304.

**HOLMES COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

The table below shows the changes in net position for fiscal year 2012 and 2011. The net position of governmental activities at December 31, 2011 has been restated as described in Note 3.A.

	<b>Change in Net Position</b>					
	Governmental	Business-type	Governmental	Business-type	2012	2011
	Activities 2012	Activities 2012	Activities 2011	Activities 2011	Total	Total
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 6,226,753	\$ 29,580,073	\$ 6,015,879	\$ 30,784,255	\$ 35,806,826	\$ 36,800,134
Operating grants and contributions	10,688,582	-	11,895,408	-	10,688,582	11,895,408
Capital grants and contributions	<u>1,201,382</u>	<u>729,454</u>	<u>950,879</u>	<u>2,355,444</u>	<u>1,930,836</u>	<u>3,306,323</u>
Total program revenues	<u>18,116,717</u>	<u>30,309,527</u>	<u>18,862,166</u>	<u>33,139,699</u>	<u>48,426,244</u>	<u>52,001,865</u>
General revenues:						
Property taxes	5,687,982	-	5,857,856	-	5,687,982	5,857,856
Sales tax	5,709,350	-	5,071,253	-	5,709,350	5,071,253
Unrestricted grants	1,551,503	-	905,666	-	1,551,503	905,666
Investment earnings	170,993	36,959	211,697	67,909	207,952	279,606
Other	<u>175,499</u>	<u>2,328,732</u>	<u>136,510</u>	<u>934,536</u>	<u>2,504,231</u>	<u>1,071,046</u>
Total general revenues	<u>13,295,327</u>	<u>2,365,691</u>	<u>12,182,982</u>	<u>1,002,445</u>	<u>15,661,018</u>	<u>13,185,427</u>
Total revenues	<u>31,412,044</u>	<u>32,675,218</u>	<u>31,045,148</u>	<u>34,142,144</u>	<u>64,087,262</u>	<u>65,187,292</u>
<b>Expenses</b>						
Program Expenses:						
General government						
Legislative and executive	4,701,293	-	4,623,230	-	4,701,293	4,623,230
Judicial	1,815,852	-	1,818,661	-	1,815,852	1,818,661
Public safety	4,150,255	-	3,939,949	-	4,150,255	3,939,949
Public works	5,059,240	-	5,699,451	-	5,059,240	5,699,451
Health	263,006	-	253,226	-	263,006	253,226
Human services	11,330,785	-	12,281,887	-	11,330,785	12,281,887
Conservation and recreation	702,764	-	232,446	-	702,764	232,446
Interest and fiscal charges	185,941	-	146,958	-	185,941	146,958
Sewer District	-	1,177,682	-	1,157,649	1,177,682	1,157,649
Joel Pomerene Hospital	-	30,519,589	-	30,849,290	30,519,589	30,849,290
East Holmes Water	-	1	-	-	1	-
County Disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,771</u>	<u>-</u>	<u>7,771</u>
Total expenses	<u>28,209,136</u>	<u>31,697,272</u>	<u>28,995,808</u>	<u>32,014,710</u>	<u>59,906,408</u>	<u>61,010,518</u>
Excess of revenues over expenses	3,202,908	977,946	2,049,340	2,127,434	4,180,854	4,176,774
Transfers	<u>-</u>	<u>-</u>	<u>(4,633,773)</u>	<u>4,633,773</u>	<u>-</u>	<u>-</u>
Change in net position	3,202,908	977,946	(2,584,433)	6,761,207	4,180,854	4,176,774
<b>Net position at beginning of year (restated)</b>						
	<u>32,583,690</u>	<u>28,160,938</u>	<u>35,168,123</u>	<u>21,399,731</u>	<u>60,744,628</u>	<u>56,567,854</u>
<b>Net position at end of year</b>	<u>\$ 35,786,598</u>	<u>\$ 29,138,884</u>	<u>\$ 32,583,690</u>	<u>\$ 28,160,938</u>	<u>\$ 64,925,482</u>	<u>\$ 60,744,628</u>

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

#### Governmental Activities

Governmental activities net position increased by \$3,202,908 in 2012.

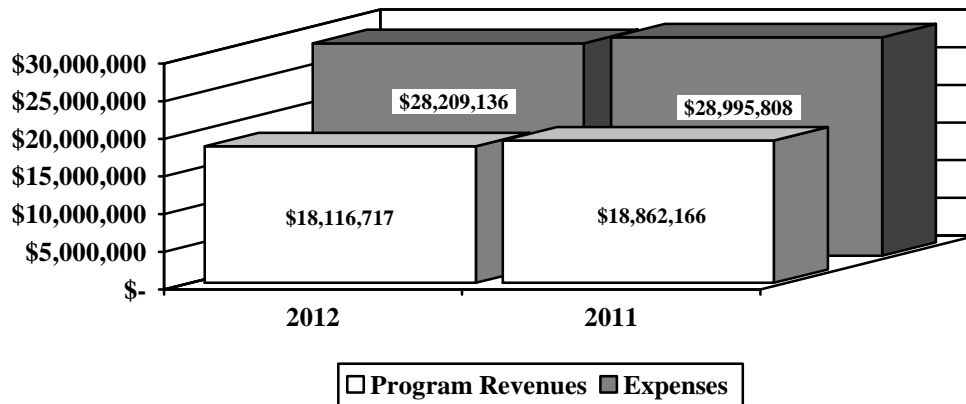
Human services, which supports the operations of the county home, county board of DD, job and family services (public assistance), veteran services, and the children services board, accounts for \$11,330,785 of expenses, or 40.17% of total governmental expenses of the County. These expenses were funded by \$1,806,200 in charges to users of services, \$5,798,377 in operating grants and contributions and \$81,029 in capital grants and contributions in 2012. General government expenses which includes legislative and executive and judicial programs, accounted for \$6,517,145 or 23.10% of total governmental expenses. General government expenses were funded by \$3,160,195 of direct charges to users in 2012. Public works expenses, the County's third largest category of expenses, totaled \$5,059,240 in 2012 or 17.93% of total governmental expenses. The County's public works programs consist primarily of motor vehicle license and gas tax and recycling programs.

The State and federal government contributed to the County a total of \$11,889,964 in operating and capital grants and contributions in 2012, compared to \$12,846,287 in 2011. These revenues are restricted to a particular program or purpose.

General revenues totaled \$13,295,327 and amounted to 42.33% of total revenues. These revenues primarily consist of property and sales tax revenue of \$11,397,332 or 85.72% of total general revenues in 2012. The other primary source of general revenues is grants and entitlements not restricted to specific programs, which makes up \$1,551,503 or 11.67% of the total. These revenues consist primarily of local government and local government revenue assistance.

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 2012 and 2011. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted State grants and entitlements). 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, 2012**

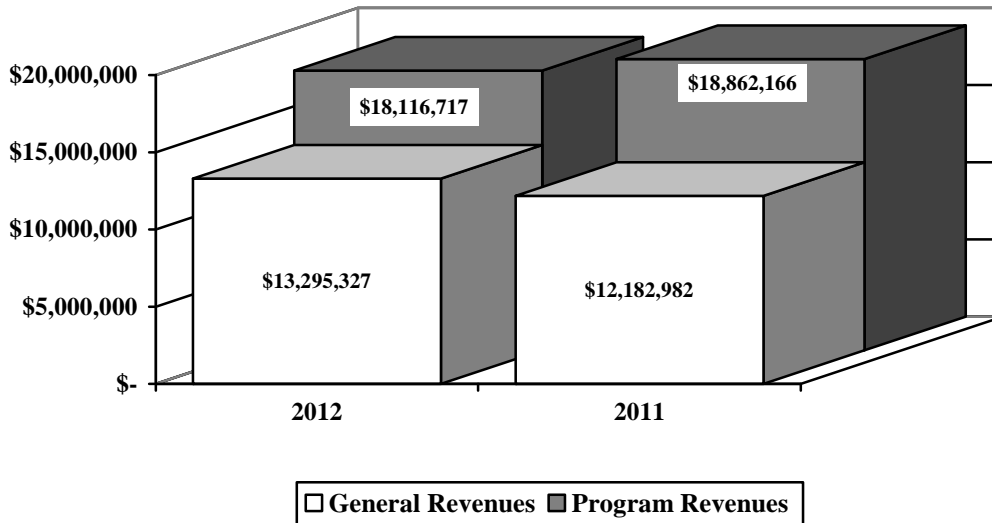
**Governmental Activities**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program Expenses:				
General government				
Legislative and executive	\$ 4,701,293	\$ 1,372,464	\$ 4,623,230	\$ 1,477,664
Judicial	1,815,852	1,385,106	1,818,661	1,396,176
Public safety	4,150,255	3,400,721	3,939,949	3,121,584
Public works	5,059,240	(421,591)	5,699,451	597,473
Health	263,006	88,265	253,226	80,105
Human services	11,330,785	3,645,179	12,281,887	3,234,912
Conservation and recreation	702,764	702,764	232,446	232,446
Interest and fiscal charges	185,941	(80,489)	146,958	(6,718)
<b>Total</b>	<b>\$ 28,209,136</b>	<b>\$ 10,092,419</b>	<b>\$ 28,995,808</b>	<b>\$ 10,133,642</b>

The dependence upon general revenues for governmental activities is apparent, with 35.78% of expenses supported through taxes and other general revenues during 2012.

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

**Governmental Activities - General and Program Revenues**

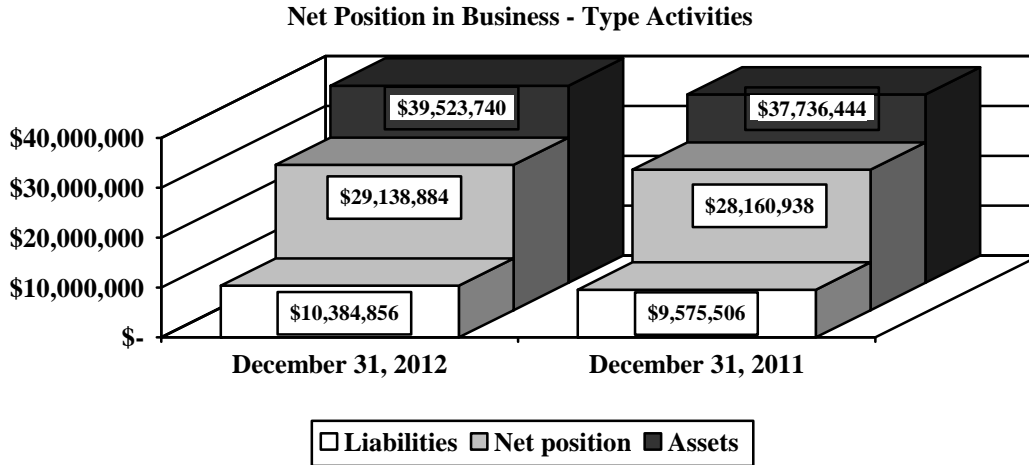


**HOLMES COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Business-Type Activities**

The sewer district, East Holmes water and Joel Pomerene Memorial Hospital are the County's enterprise funds. These operations had program revenues of \$30,309,527, general revenues of \$2,365,691, and expenses of \$31,697,272 for fiscal year 2012. The net position of the enterprise funds increased \$977,946 or 3.47% during 2012. The following graph illustrates the assets, liabilities and net position of the County's business-type activities at December 31, 2012 and 2011:



**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 18) reported a combined fund balance of \$15,402,674, which is \$907,602 higher than last year's total of \$14,495,072. The table on the following page shows the fund balance and the total change in fund balance as of December 31, 2012 for all major and non-major governmental funds.



**HOLMES COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Fund Balances</u> 12/31/12	<u>Fund Balances</u> 12/31/11	<u>Increase/</u> <u>(Decrease)</u>
Major funds:			
General	\$ 3,307,154	\$ 2,426,142	\$ 881,012
County Board of DD	2,512,024	1,972,734	539,290
Motor Vehicle License and Gas Tax	1,957,612	1,232,034	725,578
Other nonmajor governmental funds	<u>7,625,884</u>	<u>8,864,162</u>	<u>(1,238,278)</u>
 Total	 <u>\$ 15,402,674</u>	 <u>\$ 14,495,072</u>	 <u>\$ 907,602</u>

***General Fund***

The County's general fund balance increased \$881,012. The tables that follow assist in illustrating the revenues and expenditures of the general fund.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 7,377,386	\$ 6,656,497	10.83 %
Charges for services	1,834,619	1,676,225	9.45 %
Licenses and permits	5,338	4,665	14.43 %
Fines and forfeitures	95,140	96,696	(1.61) %
Intergovernmental	1,642,293	1,153,063	42.43 %
Investment income	170,993	211,706	(19.23) %
Other	<u>118,012</u>	<u>136,910</u>	(13.80) %
 Total	 <u>\$ 11,243,781</u>	 <u>\$ 9,935,762</u>	 13.16 %

Taxes revenue, which includes real and other taxes and sales taxes, represents 65.61% of all general fund revenues. Most of the increase in taxes revenue is sales taxes revenue, which increased \$711,706 or 16.19%. The increase in intergovernmental revenue is partially a result of additional grant monies received in 2012. The County also began receiving its share of the casino tax distributions from the State, which added an additional \$231,413 to intergovernmental revenues.

**HOLMES COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>	<u>Percentage</u>
<u>Expenditures</u>	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
General government			
Legislative and executive	\$ 3,002,199	\$ 3,164,392	(5.13) %
Judicial	1,633,639	1,617,286	1.01 %
Public safety	3,395,786	3,175,734	6.93 %
Health	79,031	79,477	(0.56) %
Human services	471,223	470,623	0.13 %
Conservation and recreation	702,764	232,446	202.33 %
Capital outlay	22,077	18,797	17.45 %
Debt service	1,900	1,900	- %
	<u>          </u>	<u>          </u>	
Total	<u>\$ 9,308,619</u>	<u>\$ 8,760,655</u>	6.25 %

Total general fund expenditures increased slightly in 2012. The most significant increase was for conservation and recreation expenditures, which was a result of expenditures made on behalf of the Holmes County Fair Board for new fair grounds.

***County Board of DD***

The county board of developmental disabilities (DD) fund, a major governmental fund, had revenues of \$5,273,402 in 2012, a decrease of \$573,342 or 9.81% from 2011. The DD fund had expenditures and other financing uses of \$4,734,112 in 2012, a decrease of \$700,199 or 12.88% from 2011. The net changes in revenues and expenditures contributed to the DD fund balance increase of \$539,290 or 27.34% from 2011 to 2012.

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

The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$5,458,175 in 2012, an increase of \$610,654 or 12.60% from 2011. The motor vehicle license and gas tax fund had expenditures of \$4,732,597 in 2012, a decrease of \$423,037 or 8.21% from 2011. The motor vehicle license and gas tax fund balance increased \$725,578 or 58.89% from 2011 to 2012.

***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 \$8,255,555 were increased to \$9,052,239 in the final budget. Actual revenues and other financing sources of \$10,710,376 were higher than final budgeted revenues by \$1,658,137 or 18.32%. Most of this positive variance is attributable to higher than expected sales taxes. Intergovernmental revenues were higher than the final budget due to additional grant monies awarded to the County. The County also had a positive variance in charges for services revenue, which is primarily the result of higher conveyance fees collected and an increase in the rate charged for recorder fees.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

Original budgeted expenditures and other financing uses in the general fund were \$9,574,635. This was increased to \$10,426,368 in the final budget. Actual expenditures and other financing uses of \$10,053,454 were \$372,914 lower than final budgeted expenditures and financing uses. Most departments in the general fund had a positive budget variance; most notable were the building & grounds department, which was a result of expenditures for utilities coming in under budget, and the veteran services department, a result of significantly lower than budgeted relief allowance expenditures.

#### *Proprietary Funds*

The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. The basic proprietary fund financial statements can be found on pages 25-29 of this report.

### Capital Assets and Debt Administration

#### *Capital Assets*

At the end of 2012, the County had \$48,943,373 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, construction in progress, sewer mains and infrastructure. Of this total, \$25,163,118 was reported in governmental activities and \$23,780,255 was reported in business-type activities. The following table shows 2012 balances compared to 2011:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 1,037,408	\$ 1,007,088	\$ 700,423	\$ 700,423	\$ 1,737,831	\$ 1,707,511
Land improvements	65,819	70,330	305,534	336,772	371,353	407,102
Building and improvements	7,597,287	8,064,979	10,463,281	10,746,930	18,060,568	18,811,909
Furniture, fixtures and equipment	1,300,936	1,285,277	2,221,877	2,592,134	3,522,813	3,877,411
Vehicles	1,338,726	1,299,250	-	-	1,338,726	1,299,250
Infrastructure	13,780,878	13,656,012	-	-	13,780,878	13,656,012
Sewer/water lines	-	-	3,245,670	2,488,816	3,245,670	2,488,816
Construction in progress	42,064	42,064	6,843,470	6,115,647	6,885,534	6,157,711
<b>Total</b>	<b><u>\$ 25,163,118</u></b>	<b><u>\$ 25,425,000</u></b>	<b><u>\$ 23,780,255</u></b>	<b><u>\$ 22,980,722</u></b>	<b><u>\$ 48,943,373</u></b>	<b><u>\$ 48,405,722</u></b>

See Note 9 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 54.77% of the County's total governmental capital assets.

The County's third 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 13.65% of the County's total business-type capital assets.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

#### *Debt Administration*

At December 31, 2012 the County had \$7,235,000 in general obligation bonds, \$477,138 in capital lease obligations, \$2,556,000 in USDA loans, \$1,025,000 in notes payable and OPWC loans of \$1,653,306 outstanding. Of this total, \$670,886 is due within one year and \$12,275,558 is due in more than one year.

The following table summarizes the bonds, notes and loans outstanding.

	<b>Outstanding Debt, at Year End</b>			
	Governmental Activities 2012	Business-Type Activities 2012	Governmental Activities 2011	Business-Type Activities 2011
Long-Term Obligations				
General obligation bonds	\$ 4,900,000	\$ 2,335,000	\$ 5,385,000	\$ 2,320,500
Capital lease obligation	4,292	472,846	5,783	386,039
USDA loan	-	2,556,000	-	2,556,000
Notes payable	-	1,025,000	-	1,075,000
OPWC loans	-	1,653,306	-	1,161,890
Total	<u>\$ 4,904,292</u>	<u>\$ 8,042,152</u>	<u>\$ 5,390,783</u>	<u>\$ 7,499,429</u>

The County's total legal debt margin was \$13,103,575 at December 31, 2012 and the unvoted legal debt margin was \$2,948,032. See Note 12 to the basic financial statements for detail on governmental activities and business-type activities long-term obligations.

#### **Economic Factors and Next Year's Budgets and Rates**

The County's current population as of the 2010 census is 42,366. At the end of 2012, the County's unemployment rate was 4.1%, compared to the 6.7% State average and the 7.8% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2013. Budgeted revenues and other financing sources in the general fund for fiscal year 2013 budget were \$8,388,885, as of the first amended certificate of estimated resources. 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, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Lynn Hope Industries, Inc.	Holmes County Airport Authority	Regional Planning Commission
<b>Assets:</b>						
Equity in pooled cash and cash equivalents . . .	\$ 13,567,466	\$ 815,821	\$ 14,383,287	\$ 93,969	\$ 370,015	\$ 28,903
Cash and cash equivalents						
in segregated accounts . . . . .	491,532	3,621,971	4,113,503	-	-	-
Investments in segregated accounts . . . . .	-	711,549	711,549	-	-	-
Receivables:						
Sales taxes . . . . .	1,611,950	-	1,611,950	-	-	-
Real and other taxes . . . . .	5,933,851	-	5,933,851	-	-	-
Accounts . . . . .	294,859	3,147,914	3,442,773	22,153	229	500
Accrued interest . . . . .	151	-	151	-	-	-
Due from other governments . . . . .	3,499,249	-	3,499,249	-	32,760	-
Loans receivable . . . . .	-	12,767	12,767	-	-	-
Materials and supplies inventory . . . . .	723,891	357,678	1,081,569	-	-	-
Prepayments . . . . .	90,008	375,180	465,188	-	2,201	-
Other assets . . . . .	-	21,884	21,884	451	-	-
Assets limited as to use - cash . . . . .	-	6,678,721	6,678,721	-	-	-
Capital assets:						
Land and construction in progress . . . . .	1,079,472	7,543,893	8,623,365	-	1,786,567	-
Depreciable capital assets, net. . . . .	24,083,646	16,236,362	40,320,008	69,571	320,312	-
Total capital assets, net. . . . .	25,163,118	23,780,255	48,943,373	69,571	2,106,879	-
Total assets . . . . .	51,376,075	39,523,740	90,899,815	186,144	2,512,084	29,403
<b>Liabilities:</b>						
Accounts payable . . . . .	473,945	612,093	1,086,038	119	2,598	-
Retainage payable . . . . .	-	-	-	-	113,600	-
Accrued wages and benefits payable . . . . .	612,259	1,256,909	1,869,168	-	-	6,044
Due to other governments . . . . .	327,891	2,101	329,992	-	-	2,617
Other accrued expenses . . . . .	-	409,003	409,003	680	-	-
Accrued interest payable . . . . .	14,736	62,988	77,724	-	-	-
Long-term liabilities:						
Due within one year . . . . .	1,152,401	400,989	1,553,390	16,098	-	7,956
Due in more than one year . . . . .	7,284,442	7,640,773	14,925,215	81,276	-	7,690
Total liabilities . . . . .	9,865,674	10,384,856	20,250,530	98,173	116,198	24,307
<b>Deferred inflows of resources:</b>						
Property taxes levied for the next fiscal year . . . . .	5,723,803	-	5,723,803	-	-	-
Total deferred inflows of resources . . . . .	5,723,803	-	5,723,803	-	-	-
<b>Net position:</b>						
Net investment in capital assets . . . . .	22,787,903	15,740,520	38,528,423	-	2,106,879	-
Restricted for:						
Capital projects . . . . .	1,508,442	-	1,508,442	-	-	-
Debt service . . . . .	99,439	-	99,439	-	-	-
Public works projects . . . . .	3,563,831	-	3,563,831	-	-	-
Public safety programs . . . . .	789,640	-	789,640	-	-	-
Human services programs . . . . .	6,251,972	-	6,251,972	-	-	-
Real estate assessment . . . . .	800,973	-	800,973	-	-	-
Court special projects . . . . .	246,483	-	246,483	-	-	-
Other purposes . . . . .	293,219	658,837	952,056	-	-	-
Unrestricted (deficit) . . . . .	(555,304)	12,739,527	12,184,223	87,971	289,007	5,096
Total net position . . . . .	\$ 35,786,598	\$ 29,138,884	\$ 64,925,482	\$ 87,971	\$ 2,395,886	\$ 5,096

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 4,701,293	\$ 2,809,430	\$ 325,161	\$ 194,238
Judicial . . . . .	1,815,852	350,765	79,981	-
Public safety . . . . .	4,150,255	344,390	405,144	-
Public works . . . . .	5,059,240	476,797	4,077,919	926,115
Health . . . . .	263,006	172,741	2,000	-
Human services . . . . .	11,330,785	1,806,200	5,798,377	81,029
Conservation and recreation . . . . .	702,764	-	-	-
Interest and fiscal charges . . . . .	185,941	266,430	-	-
Total governmental activities . . . . .	<u>28,209,136</u>	<u>6,226,753</u>	<u>10,688,582</u>	<u>1,201,382</u>
<b>Business-type activities:</b>				
Sewer District . . . . .	1,177,682	1,048,743	-	729,454
East Holmes Water . . . . .	1	-	-	-
Joel Pomerene Memorial Hospital . . . . .	30,519,589	28,531,330	-	-
Total business-type activities . . . . .	<u>31,697,272</u>	<u>29,580,073</u>	<u>-</u>	<u>729,454</u>
Total primary government . . . . .	<u>\$ 59,906,408</u>	<u>\$ 35,806,826</u>	<u>\$ 10,688,582</u>	<u>\$ 1,930,836</u>
<b>Component Units:</b>				
Lynn Hope Industries, Inc. . . . .	\$ 298,076	\$ 130,590	\$ 198,503	\$ -
Holmes County Airport Authority . . . . .	293,688	87,522	-	837,774
Regional Planning Commission . . . . .	227,296	111,547	115,668	-
Total component units . . . . .	<u>\$ 819,060</u>	<u>\$ 329,659</u>	<u>\$ 314,171</u>	<u>\$ 837,774</u>

**General revenues:**

- 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 . . . . .

**Net position at beginning of year (restated) . . .**

**Net position at end of year . . . . .**

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>
\$ (1,372,464)	\$ -	\$ (1,372,464)	\$ -	\$ -	\$ -
(1,385,106)	-	(1,385,106)	-	-	-
(3,400,721)	-	(3,400,721)	-	-	-
421,591	-	421,591	-	-	-
(88,265)	-	(88,265)	-	-	-
(3,645,179)	-	(3,645,179)	-	-	-
(702,764)	-	(702,764)	-	-	-
80,489	-	80,489	-	-	-
<u>(10,092,419)</u>	<u>-</u>	<u>(10,092,419)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	600,515	600,515	-	-	-
-	(1)	(1)	-	-	-
<u>-</u>	<u>(1,988,259)</u>	<u>(1,988,259)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(1,387,745)	(1,387,745)	-	-	-
<u>(10,092,419)</u>	<u>(1,387,745)</u>	<u>(11,480,164)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	31,017	-	-
-	-	-	-	631,608	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81)</u>
-	-	-	31,017	631,608	(81)
2,254,462	-	2,254,462	-	-	-
2,599,486	-	2,599,486	-	-	-
834,034	-	834,034	-	-	-
5,709,350	-	5,709,350	-	-	-
1,551,503	-	1,551,503	-	-	-
170,993	36,959	207,952	1,415	1,678	-
175,499	2,328,732	2,504,231	-	-	3,802
<u>13,295,327</u>	<u>2,365,691</u>	<u>15,661,018</u>	<u>1,415</u>	<u>1,678</u>	<u>3,802</u>
3,202,908	977,946	4,180,854	32,432	633,286	3,721
<u>32,583,690</u>	<u>28,160,938</u>	<u>60,744,628</u>	<u>55,539</u>	<u>1,762,600</u>	<u>1,375</u>
<u>\$ 35,786,598</u>	<u>\$ 29,138,884</u>	<u>\$ 64,925,482</u>	<u>\$ 87,971</u>	<u>\$ 2,395,886</u>	<u>\$ 5,096</u>

HOLMES COUNTY, OHIO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	<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>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 2,921,161	\$ 2,205,015	\$ 1,096,340	\$ 7,344,950	\$ 13,567,466
Cash and cash equivalents in segregated accounts . . .	-	478,727	-	12,805	491,532
Receivables (net of allowance for uncollectibles):					
Sales taxes . . . . .	1,482,650	-	-	129,300	1,611,950
Real and other taxes . . . . .	2,309,671	2,765,338	-	858,842	5,933,851
Accounts . . . . .	104,801	43,627	74,670	71,761	294,859
Accrued interest . . . . .	151	-	-	-	151
Due from other funds . . . . .	1,909	-	-	-	1,909
Due from other governments . . . . .	599,039	165,517	2,014,168	720,525	3,499,249
Prepayments . . . . .	63,258	7,955	939	17,856	90,008
Materials and supplies inventory . . . . .	70,727	12,771	621,940	18,453	723,891
Total assets . . . . .	<u>\$ 7,553,367</u>	<u>\$ 5,678,950</u>	<u>\$ 3,808,057</u>	<u>\$ 9,174,492</u>	<u>\$ 26,214,866</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 115,346	\$ 42,435	\$ 42,554	\$ 273,610	\$ 473,945
Accrued wages and benefits payable . . . . .	229,254	144,052	69,657	169,296	612,259
Compensated absences payable . . . . .	724	-	-	-	724
Due to other funds . . . . .	-	-	-	1,909	1,909
Due to other governments . . . . .	108,760	71,999	29,665	117,467	327,891
Total liabilities . . . . .	<u>454,084</u>	<u>258,486</u>	<u>141,876</u>	<u>562,282</u>	<u>1,416,728</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year . . . . .	2,250,000	2,642,303	-	831,500	5,723,803
Delinquent property tax revenue not available . . . . .	59,671	123,035	-	27,342	210,048
Income tax revenue not available . . . . .	999,076	-	-	86,201	1,085,277
Intergovernmental revenue not available . . . . .	452,025	139,950	1,708,569	40,312	2,340,856
Other revenue not available . . . . .	31,357	3,152	-	971	35,480
Total deferred inflows of resources . . . . .	<u>3,792,129</u>	<u>2,908,440</u>	<u>1,708,569</u>	<u>986,326</u>	<u>9,395,464</u>
<b>Fund balances:</b>					
Nonspendable . . . . .	191,518	20,726	622,879	36,309	871,432
Restricted . . . . .	-	2,491,298	1,334,733	7,334,849	11,160,880
Committed . . . . .	358,270	-	-	254,726	612,996
Assigned . . . . .	2,136,813	-	-	-	2,136,813
Unassigned . . . . .	620,553	-	-	-	620,553
Total fund balances . . . . .	<u>3,307,154</u>	<u>2,512,024</u>	<u>1,957,612</u>	<u>7,625,884</u>	<u>15,402,674</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 7,553,367</u>	<u>\$ 5,678,950</u>	<u>\$ 3,808,057</u>	<u>\$ 9,174,492</u>	<u>\$ 26,214,866</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, 2012

<b>Total governmental fund balances</b>		\$	15,402,674
<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.			25,163,118
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Sales taxes receivable	\$	1,085,277	
Real and other taxes receivable		210,048	
Intergovernmental receivable		2,340,856	
Accounts receivable		35,480	
Total			3,671,661
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		(4,900,000)	
Landfill closure and postclosure care liability		(2,262,289)	
Capital lease payable		(4,292)	
Compensated absences payable		(1,171,605)	
Accrued interest payable		(14,736)	
Total			(8,352,922)
Unamortized premiums on bond issuances are not recognized in the governmental funds.			(97,933)
<b>Net position of governmental activities</b>		\$	<u>35,786,598</u>

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, 2012

	<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>					
Sales taxes. . . . .	\$ 5,108,232	\$ -	\$ -	\$ 497,372	\$ 5,605,604
Real and other taxes. . . . .	2,269,154	2,630,061	-	840,757	5,739,972
Charges for services. . . . .	1,834,619	325,793	222,193	2,639,958	5,022,563
Licenses and permits . . . . .	5,338	-	-	225,867	231,205
Fines and forfeitures . . . . .	95,140	-	102,115	136,368	333,623
Intergovernmental. . . . .	1,642,293	2,117,513	5,016,096	4,663,934	13,439,836
Investment income. . . . .	170,993	2,953	2,326	764	177,036
Rental income . . . . .	1,221	-	-	148,471	149,692
Contributions and donations. . . . .	-	30,284	87,465	3,492	121,241
Other . . . . .	116,791	166,798	27,618	252,784	563,991
Total revenues . . . . .	<u>11,243,781</u>	<u>5,273,402</u>	<u>5,457,813</u>	<u>9,409,767</u>	<u>31,384,763</u>
<b>Expenditures:</b>					
Current:					
General government:					
Legislative and executive . . . . .	3,002,199	-	-	1,621,183	4,623,382
Judicial. . . . .	1,633,639	-	-	166,757	1,800,396
Public safety . . . . .	3,395,786	-	-	531,200	3,926,986
Public works . . . . .	-	-	4,732,597	156,934	4,889,531
Health . . . . .	79,031	-	-	203,937	282,968
Human services. . . . .	471,223	4,559,112	-	5,992,740	11,023,075
Conservation and recreation . . . . .	702,764	-	-	-	702,764
Capital outlay . . . . .	22,077	-	-	2,564,591	2,586,668
Debt service:					
Principal retirement. . . . .	1,491	-	-	485,000	486,491
Interest and fiscal charges . . . . .	409	-	-	185,958	186,367
Total expenditures . . . . .	<u>9,308,619</u>	<u>4,559,112</u>	<u>4,732,597</u>	<u>11,908,300</u>	<u>30,508,628</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,935,162</u>	<u>714,290</u>	<u>725,216</u>	<u>(2,498,533)</u>	<u>876,135</u>
<b>Other financing sources (uses):</b>					
Sale of capital assets. . . . .	31,105	-	362	-	31,467
Transfers in . . . . .	801	-	-	1,363,645	1,364,446
Transfers (out). . . . .	(1,086,056)	(175,000)	-	(103,390)	(1,364,446)
Total other financing sources (uses) . . . . .	<u>(1,054,150)</u>	<u>(175,000)</u>	<u>362</u>	<u>1,260,255</u>	<u>31,467</u>
Net change in fund balances . . . . .	881,012	539,290	725,578	(1,238,278)	907,602
<b>Fund balances at beginning of year . . . . .</b>	<u>2,426,142</u>	<u>1,972,734</u>	<u>1,232,034</u>	<u>8,864,162</u>	<u>14,495,072</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,307,154</u>	<u>\$ 2,512,024</u>	<u>\$ 1,957,612</u>	<u>\$ 7,625,884</u>	<u>\$ 15,402,674</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, 2012

<b>Net change in fund balances - total governmental funds</b>	\$	907,602
 <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 depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 1,486,751	
Current year depreciation	(1,733,392)	
Total		(246,641)
 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.		
		(15,241)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes	103,746	
Real and other taxes	(51,990)	
Intergovernmental revenues	(155,762)	
Accounts receivable	18,791	
Total		(85,215)
 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.		
		486,491
 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:		
Increase in accrued interest payable	(3,746)	
Amortization of bond premiums	4,172	
Total		426
 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	(96,465)	
Landfill closure and postclosure care liability	2,251,951	
Total		2,155,486
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u><u>3,202,908</u></u></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, 2012

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Sales taxes . . . . .	\$ 4,000,000	\$ 4,000,000	\$ 5,043,299	\$ 1,043,299
Real and other taxes. . . . .	2,261,250	2,261,250	2,281,927	20,677
Charges for services. . . . .	1,007,500	1,145,129	1,416,115	270,986
Licenses and permits . . . . .	4,050	4,050	5,338	1,288
Fines and forfeitures . . . . .	93,000	93,000	96,412	3,412
Intergovernmental. . . . .	624,150	1,252,404	1,546,337	293,933
Investment income. . . . .	175,000	175,000	171,617	(3,383)
Rental income . . . . .	4,105	4,105	730	(3,375)
Other . . . . .	85,500	85,500	116,695	31,195
<b>Total revenues . . . . .</b>	<u>8,254,555</u>	<u>9,020,438</u>	<u>10,678,470</u>	<u>1,658,032</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	4,057,041	4,072,497	3,889,540	182,957
Judicial. . . . .	1,341,934	1,346,133	1,300,576	45,557
Public safety . . . . .	2,386,080	2,499,019	2,496,511	2,508
Health . . . . .	80,600	79,248	79,031	217
Human services. . . . .	396,317	396,317	254,643	141,674
Conservation and recreation . . . . .	243,500	702,764	702,764	-
<b>Total expenditures . . . . .</b>	<u>8,505,472</u>	<u>9,095,978</u>	<u>8,723,065</u>	<u>372,913</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(250,917)</u>	<u>(75,540)</u>	<u>1,955,405</u>	<u>2,030,945</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	1,000	31,000	31,105	105
Transfers in . . . . .	-	801	801	-
Transfers (out). . . . .	<u>(1,069,163)</u>	<u>(1,330,390)</u>	<u>(1,330,389)</u>	<u>1</u>
<b>Total other financing sources (uses) . . . . .</b>	<u>(1,068,163)</u>	<u>(1,298,589)</u>	<u>(1,298,483)</u>	<u>106</u>
Net change in fund balances . . . . .	(1,319,080)	(1,374,129)	656,922	2,031,051
<b>Fund balances at beginning of year . . . . .</b>	1,638,655	1,638,655	1,638,655	-
<b>Prior year encumbrances appropriated . . . . .</b>	21,122	21,122	21,122	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 340,697</u>	<u>\$ 285,648</u>	<u>\$ 2,316,699</u>	<u>\$ 2,031,051</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, 2012

	<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. . . . .	\$ 2,567,880	\$ 2,567,880	\$ 2,656,895	\$ 89,015
Charges for services. . . . .	306,205	306,205	297,402	(8,803)
Intergovernmental. . . . .	2,194,393	2,194,393	2,176,406	(17,987)
Investment income. . . . .	1,512	1,512	1,211	(301)
Contributions and donations. . . . .	10,438	34,238	30,148	(4,090)
Other . . . . .	165,605	165,605	166,493	888
Total revenues . . . . .	<u>5,246,033</u>	<u>5,269,833</u>	<u>5,328,555</u>	<u>58,722</u>
<b>Expenditures:</b>				
Current:				
Human services. . . . .	6,451,173	6,574,973	5,039,178	1,535,795
Total expenditures . . . . .	<u>6,451,173</u>	<u>6,574,973</u>	<u>5,039,178</u>	<u>1,535,795</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,205,140)</u>	<u>(1,305,140)</u>	<u>289,377</u>	<u>1,594,517</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	20,000	20,000	-	(20,000)
Transfers (out). . . . .	(75,000)	(175,000)	(175,000)	-
Total other financing sources (uses) . . . . .	<u>(55,000)</u>	<u>(155,000)</u>	<u>(175,000)</u>	<u>(20,000)</u>
Net change in fund balances . . . . .	(1,260,140)	(1,460,140)	114,377	1,574,517
<b>Fund balances at beginning of year . . . . .</b>	<u>2,014,592</u>	<u>2,014,592</u>	<u>2,014,592</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 754,452</u>	<u>\$ 554,452</u>	<u>\$ 2,128,969</u>	<u>\$ 1,574,517</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services. . . . .	\$ 190,000	\$ 190,000	\$ 222,193	\$ 32,193
Fines and forfeitures . . . . .	30,000	30,000	28,911	(1,089)
Intergovernmental. . . . .	4,000,000	4,622,573	4,900,455	277,882
Investment income. . . . .	2,500	2,500	2,326	(174)
Contributions and donations. . . . .	85,000	85,000	87,465	2,465
Other . . . . .	41,000	41,000	27,618	(13,382)
<b>Total revenues . . . . .</b>	<u>4,348,500</u>	<u>4,971,073</u>	<u>5,268,968</u>	<u>297,895</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	4,675,713	5,298,286	4,688,584	609,702
<b>Total expenditures . . . . .</b>	<u>4,675,713</u>	<u>5,298,286</u>	<u>4,688,584</u>	<u>609,702</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(327,213)</u>	<u>(327,213)</u>	<u>580,384</u>	<u>907,597</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	10,000	10,000	362	(9,638)
<b>Total other financing sources (uses) . . . . .</b>	<u>10,000</u>	<u>10,000</u>	<u>362</u>	<u>(9,638)</u>
Net change in fund balances . . . . .	(317,213)	(317,213)	580,746	897,959
<b>Fund balances at beginning of year . . . . .</b>	515,594	515,594	515,594	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 198,381</u>	<u>\$ 198,381</u>	<u>\$ 1,096,340</u>	<u>\$ 897,959</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2012

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Joel Pomerene</b>		
	<b>Sewer District</b>	<b>Memorial Hospital</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . . . .	\$ 815,821	\$ -	\$ 815,821
Cash and cash equivalents in segregated accounts. . . . .	-	3,621,971	3,621,971
Investments in segregated accounts . . . . .	-	711,549	711,549
Receivables (net of allowance for uncollectibles):			
Accounts . . . . .	77,312	3,070,602	3,147,914
Loans . . . . .	12,767	-	12,767
Materials and supplies inventory . . . . .	175	357,503	357,678
Prepayments and other assets . . . . .	-	375,180	375,180
Total current assets. . . . .	<u>906,075</u>	<u>8,136,805</u>	<u>9,042,880</u>
Noncurrent assets:			
Other. . . . .	-	21,884	21,884
Assets limited as to use - cash . . . . .	-	6,678,721	6,678,721
Capital assets:			
Land and construction in progress . . . . .	6,941,973	601,920	7,543,893
Depreciable capital assets, net . . . . .	4,943,444	11,292,918	16,236,362
Total capital assets, net . . . . .	<u>11,885,417</u>	<u>11,894,838</u>	<u>23,780,255</u>
Total noncurrent assets. . . . .	<u>11,885,417</u>	<u>18,595,443</u>	<u>30,480,860</u>
Total assets . . . . .	<u>12,791,492</u>	<u>26,732,248</u>	<u>39,523,740</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	329,314	282,779	612,093
Accrued wages and benefits payable. . . . .	3,371	1,253,538	1,256,909
Other accrued expenses. . . . .	-	409,003	409,003
Due to other governments . . . . .	2,101	-	2,101
Accrued interest payable. . . . .	62,988	-	62,988
Current portion of compensated absences payable . . . . .	1,718	-	1,718
Current portion of notes payable. . . . .	-	50,000	50,000
Current portion of general obligation bonds payable. . . . .	75,000	-	75,000
Current portion of OPWC loans payable. . . . .	61,575	-	61,575
Current portion of USDA loans payable . . . . .	35,000	-	35,000
Current portion of capital lease obligation . . . . .	-	177,696	177,696
Total current liabilities . . . . .	<u>571,067</u>	<u>2,173,016</u>	<u>2,744,083</u>
Long-term liabilities:			
Compensated absences payable . . . . .	309	-	309
Notes payable . . . . .	-	975,000	975,000
General obligation bonds payable. . . . .	2,257,583	-	2,257,583
OPWC loans payable . . . . .	1,591,731	-	1,591,731
USDA loans payable . . . . .	2,521,000	-	2,521,000
Capital lease obligation . . . . .	-	295,150	295,150
Total long-term liabilities . . . . .	<u>6,370,623</u>	<u>1,270,150</u>	<u>7,640,773</u>
Total liabilities . . . . .	<u>6,941,690</u>	<u>3,443,166</u>	<u>10,384,856</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	5,343,528	10,396,992	15,740,520
Restricted by donor for specific uses. . . . .	-	658,837	658,837
Unrestricted . . . . .	<u>506,274</u>	<u>12,233,253</u>	<u>12,739,527</u>
Total net position. . . . .	<u>\$ 5,849,802</u>	<u>\$ 23,289,082</u>	<u>\$ 29,138,884</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, 2012

	Business-type Activities - Enterprise Funds			Total
	Sewer District	Joel Pomerene Memorial Hospital	Nonmajor Enterprise Fund	
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 1,048,743	\$ 28,531,330	\$ -	\$ 29,580,073
Other operating revenues . . . . .	2,158	2,326,574	-	2,328,732
Total operating revenues. . . . .	<u>1,050,901</u>	<u>30,857,904</u>	<u>-</u>	<u>31,908,805</u>
<b>Operating expenses:</b>				
Personal services . . . . .	113,473	15,390,293	-	15,503,766
Contract services. . . . .	502,691	-	-	502,691
Materials and supplies. . . . .	28,941	8,130,590	-	8,159,531
Depreciation. . . . .	235,786	1,249,096	-	1,484,882
Medical professional fees . . . . .	-	5,687,708	-	5,687,708
Other . . . . .	350	61,902	1	62,253
Total operating expenses. . . . .	<u>881,241</u>	<u>30,519,589</u>	<u>1</u>	<u>31,400,831</u>
Operating income (loss) . . . . .	<u>169,660</u>	<u>338,315</u>	<u>(1)</u>	<u>507,974</u>
<b>Nonoperating revenues (expenses):</b>				
Interest revenue . . . . .	1,030	35,929	-	36,959
Interest and fiscal charges . . . . .	(235,550)	-	-	(235,550)
Bond issuance costs. . . . .	(60,891)	-	-	(60,891)
Total nonoperating revenues (expenses). . . . .	<u>(295,411)</u>	<u>35,929</u>	<u>-</u>	<u>(259,482)</u>
Income (loss) before capital contributions. . . . .	(125,751)	374,244	(1)	248,492
Capital contributions. . . . .	<u>729,454</u>	<u>-</u>	<u>-</u>	<u>729,454</u>
Change in net position . . . . .	603,703	374,244	(1)	977,946
<b>Net position at beginning of year. . . . .</b>	<u>5,246,099</u>	<u>22,914,838</u>	<u>1</u>	<u>28,160,938</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 5,849,802</u>	<u>\$ 23,289,082</u>	<u>\$ -</u>	<u>\$ 29,138,884</u>

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, 2012

	Business-type Activities - Enterprise Funds			
	Sewer District	Joel Pomerene Memorial Hospital	Nonmajor Enterprise Fund	Total
<b>Cash flows from operating activities:</b>				
Cash received from sales/charges for services . . . . .	\$ 1,033,537	\$ 29,440,577	\$ -	\$ 30,474,114
Cash received from other operations . . . . .	2,158	2,326,574	-	2,328,732
Cash payments for personal services. . . . .	(141,671)	(15,392,926)	-	(15,534,597)
Cash payments for contractual services . . . . .	(509,253)	-	-	(509,253)
Cash payments for materials and supplies . . . . .	(28,922)	(13,651,600)	-	(13,680,522)
Cash payments for other expenses . . . . .	(350)	-	(1)	(351)
Net cash provided by (used) in operating activities . . . . .	355,499	2,722,625	(1)	3,078,123
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets . . . . .	(1,409,604)	(358,957)	-	(1,768,561)
Cash received from grants . . . . .	729,454	-	-	729,454
Cash received from OPWC loans . . . . .	529,792	-	-	529,792
Cash received from issuance of refunding bonds . . . . .	2,380,000	-	-	2,380,000
Discount on refunding bond issuance . . . . .	(2,446)	-	-	(2,446)
Cash payments to refunded bond escrow agent . . . . .	(2,271,500)	-	-	(2,271,500)
Cash payments for refunding bond issuance costs . . . . .	(60,891)	-	-	(60,891)
Principal payments on capital lease obligations . . . . .	-	(209,860)	-	(209,860)
Principal payments on bonds, notes and loans. . . . .	(132,376)	(50,000)	-	(182,376)
Interest payments on bonds, notes and loans. . . . .	(255,666)	-	-	(255,666)
Net cash used in capital and related financing activities. . . . .	(493,237)	(618,817)	-	(1,112,054)
<b>Cash flows from investing activities:</b>				
Cash received from interest . . . . .	1,030	35,326	-	36,356
Change in fair value of investments. . . . .	-	603	-	603
Repayments from loans receivable . . . . .	5,839	-	-	5,839
Net cash provided by investing activities. . . . .	6,869	35,929	-	42,798
Net increase (decrease) in cash and cash equivalents . . . . .	(130,869)	2,139,737	(1)	2,008,867
<b>Cash and cash equivalents at beginning of year. . . . .</b>	946,690	8,872,504	1	9,819,195
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 815,821</u>	<u>\$ 11,012,241</u>	<u>\$ -</u>	<u>\$ 11,828,062</u>
Cash and cash equivalents include the following:				
Cash and cash equivalents . . . . .	\$ 815,821	\$ 3,621,971	\$ -	\$ 4,437,792
Investment cash and cash equivalents . . . . .	-	711,549	-	711,549
Assets limited as to use cash and cash equivalents:				
Board designated for future capital improvements. . . . .	-	6,618,900	-	6,618,900
Board designated for future construction and equipment . . . . .	-	59,821	-	59,821
<b>Total cash and cash equivalents. . . . .</b>	<u>\$ 815,821</u>	<u>\$ 11,012,241</u>	<u>\$ -</u>	<u>\$ 11,828,062</u>

HOLMES COUNTY, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			Total
	Sewer District	Joel Pomerene Memorial Hospital	Nonmajor Enterprise Fund	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss) . . . . .	\$ 169,660	\$ 338,315	\$ (1)	\$ 507,974
Adjustments:				
Depreciation. . . . .	235,786	1,249,096	-	1,484,882
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable. . . . .	(15,206)	909,247	-	894,041
Decrease in materials and supplies inventory . . . . .	26	153,179	-	153,205
Decrease (increase) in prepayments . . . . .	421	(32,402)	-	(31,981)
(Decrease) in accounts payable . . . . .	(4,686)	(255,218)	-	(259,904)
(Decrease) in accrued wages and benefits . . . . .	(2,183)	-	-	(2,183)
Increase in other accrued expenses . . . . .	-	360,408	-	360,408
(Decrease) in due to other governments. . . . .	(2,744)	-	-	(2,744)
(Decrease) in compensated absences payable . . . . .	(25,575)	-	-	(25,575)
Net cash provided by (used in) operating activities . . . . .	<u>\$ 355,499</u>	<u>\$ 2,722,625</u>	<u>\$ (1)</u>	<u>\$ 3,078,123</u>

**Non-cash transactions:**

At December 31, 2012 and December 31, 2011, the Sewer District fund acquired \$294,252 and \$75,065, respectively, in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
DECEMBER 31, 2012

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 3,628,842
Cash and cash equivalents in segregated accounts. . . . .	780,032
Receivables:	
Real and other taxes. . . . .	28,252,576
Accounts . . . . .	999,804
Due from other governments . . . . .	<u>1,460,261</u>
Total assets . . . . .	<u>\$ 35,121,515</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 156,682
Accrued wages and benefits . . . . .	10,296
Due to other governments . . . . .	737,552
Undistributed monies. . . . .	<u>34,216,985</u>
Total liabilities. . . . .	<u>\$ 35,121,515</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### 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 Joel Pomerene Memorial Hospital enterprise fund's financial information is presented in conformity with GAAP as applied to governmental hospitals and local governmental units.

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

##### A. Reporting Entity

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

##### Joel Pomerene Memorial Hospital and Joel Pomerene Foundation (Hospital)

The Hospital's Board of Trustees is appointed by the County Commissioners and Judges. The Hospital is not legally separate from the County and, therefore, its financial activities are reflected as a department of the County. The operations of the Hospital are accounted for as a major enterprise fund.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying basic financial statements as:

*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 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. Separate financial statements can be obtained from the Commission, County Administration Building, 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 County provides ongoing financial support to the Airport Authority; resulting in the Airport Authority imposing a financial burden on 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 26, 27 and 28.

*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 activity of the following entities is 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, 2012**

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

*JOINT VENTURE WITHOUT EQUITY INTEREST*

*Alcohol, Drug Addiction and Mental Health Services 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 Alcohol, Drug Addiction and Mental Health Services Board, Holmes County, Ohio.

*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 5 from the County. The Council did not receive any funding from the County during 2012.

*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 2012, the County paid \$8,375 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-one counties in Ohio. CORSAs was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSAs 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 CORSAs. 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, 2012

#### 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 2012 was \$186,954.

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. The Library did not receive any funding from the County in 2012.



## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### 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 or is the District financially dependent on the County. The District serves as its own taxing and debt issuance authority. The District did not receive any funding from the County in 2012.

##### Northeast Ohio Outreach Network (Network)

The Network is controlled by three area hospitals, one of which is Joel Pomerene Memorial Hospital. The Network was established to receive federal grant monies from the U.S. Department of Housing and Urban Development (HUD). Funds are distributed to the Hospital directly from HUD as determined by the Network.

#### **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 and federal/State grants.

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, 2012**

**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. The County has no internal service funds.

*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 funds:

*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.

*Joel Pomerene Memorial Hospital* - This fund accounts for the operations of the Hospital and the Joel Pomerene Foundation.

*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 to such activity as the health department, payroll, soil and water conservation and gasoline and license tax.

**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 statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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

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.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, 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 and all liabilities 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 the operations of the enterprise activity. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

**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, 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.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Sales taxes and accounts receivable not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2012, are recorded as deferred inflows on the governmental fund financial statements.

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

***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.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

***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.

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 2012.

***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 2012 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 reappropriated.

**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 and investments are presented on the financial statements as "cash and cash equivalents in segregated accounts" and "investments 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.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

During 2012, investments were limited to certificates of deposit, mutual funds, U.S. government obligations and common stock. The investments in mutual funds and common stock are reported at fair value. The common stock is not traded on a quoted market; therefore, the year end fair value is determined as the average of the high and low sales price for the last quarter of 2012. For the money market mutual fund, fair value is determined by the fund's shares price at December 31, 2012. Nonparticipating investment contracts, such as 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 2012 amounted to \$170,993 which includes \$146,737 assigned from other County funds.

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

**G. Patient Accounts Receivable and Revenue**

The Hospital records a receivable and charges for services revenue when patient services are performed. Net charges for services are reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Hospital estimates an allowance for doubtful accounts based on an evaluation of historical losses, current economic conditions and other factors unique to the Hospital.

In 2012, approximately 21 percent of the Hospital's total patient revenue was derived from Medicare payments while approximately 12 percent was derived from Medicaid payments. Additionally, approximately 25 percent of the Hospital's total patient revenue was derived from individual self-payments in 2012. The remaining revenue was derived primarily from commercial insurance payments.

**H. 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.

Inventories of the Hospital consist of surgical, pharmaceutical and medical supplies and are presented at the lower of cost or market on a first-in first-out basis.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

**I. 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 fair market values 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 Hospital reports its capital assets with the business-type activities; however, they maintain a capitalization threshold of \$500 and use different useful lives. Capital assets reported by the Hospital include land, land improvements, building and fixed equipment, moveable equipment, sub-specialty medical clinics, modular medical office building and OB/GYN clinic moveable equipment. The Hospital does not possess any infrastructure. Depreciation is computed using the straight-line method. Equipment under capital lease is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment.

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
Furniture, fixtures, 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

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 2012, the net interest expense incurred on proprietary fund construction projects was not material.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

##### **J. 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, 2012, 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, 2012, 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.

##### **K. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

##### **L. Accrued Liabilities and Long-term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences 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.



**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

**M. Third-Party Settlements**

The Hospital has agreements with Medicare and Medicaid that provide for reimbursement at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payers. The Hospital has reached final settlement with Medicare through 2010 and Medicaid through 2006.

**N. Assets Limited as to Use**

Assets limited as to use consist of invested funds designated by trustees for future capital improvements, funds invested in accordance with agreements with a third-party and donor restricted funds.

**O. 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".

**P. 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, 2012

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

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

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

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

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

#### **Q. Charity Care**

The Hospital maintains a policy whereby care is provided to patients who meet certain criteria without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

#### **R. 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.

#### **S. Net Position**

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

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

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

**T. Unamortized Bond Premiums and Discounts**

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. 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 current period.

**U. 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. Neither type of transaction occurred during 2012.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For 2012, the County has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the County.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 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, 2012

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

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the County's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the County:

	Governmental Activities
Net assets as previously reported	\$ 32,754,135
Removal of unamortized bond issuance costs	<u>(170,445)</u>
Net position at January 1, 2012	<u>\$ 32,583,690</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

Monies held by the County which are not needed for immediate use are classified as interim. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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.

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.

The Hospital may deposit funds not needed for immediate expenses in interest-bearing or non-interest-bearing accounts or invest in United States government obligations.

#### **A. Unrecorded Cash**

At year end, the County had \$6,233 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 \$130,201 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".

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

**C. Deposits with Financial Institutions**

At December 31, 2012, the carrying amount of all County deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$29,431,822. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2012, \$25,565,853 of the County’s bank balance of \$30,326,867 was exposed to custodial risk as discussed below, while \$4,761,014 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the County’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

**D. Investments**

The County had the following investments and maturities, all of which are held by the Hospital. This table also shows the percentage of each investment type held at December 31, 2012:

Moody's	S&P	Morning Star	Investment type	Fair Value	Investment Maturities		Percent of Total
					Less than 1 year	Less than 5 years	
N/A-1	N/A-1	N/A-1	Commercial Savings Bank common stock	\$ 145,792	N/A-3	N/A-3	19.27%
N/A-1	N/A-1	N/A-1	Killbuck Savings Bank common stock	176,645	N/A-3	N/A-3	23.34%
N/A-1	N/A-1	N/A-1	Newell-Rubbermaid common stock	3,162	N/A-3	N/A-3	0.42%
N/A-2	N/A-2	N/A-2	U.S. Treasury bonds	142,002	30,237	-	18.77%
		3 star rating	Federated mutual funds - equity	50,221	N/A-3	N/A-3	6.64%
		3 star rating	Fidelity mutual funds - equity	30,941	N/A-3	N/A-3	4.09%
		3 star rating	T. Rowe Price mutual funds - equity	96,508	N/A-3	N/A-3	12.76%
		3 star rating	Vanguard mutual funds - equity	86,310	N/A-3	N/A-3	11.41%
N/A-1	N/A-1	N/A-1	Ohio hospital association stock	25,000	N/A-3	N/A-3	3.30%
			Total	\$ 756,581	\$ 30,237	\$ -	100.00%

N/A- 1: Common stock not publicly traded.

N/A- 2: Exempt from ratings since explicitly guaranteed by U.S. Government Agency.

N/A- 3: Stock investments, no maturity period to report.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County’s investment policy limits investment portfolio maturities to five years or less.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

*Credit Risk:* State law limits investments in commercial paper and corporate bonds to the top two ratings issued by the nationally recognized statistical rating organizations (NRSROs). It is the County's policy to limit its investments in these investment types to the top two ratings issued by NRSROs. The County had no investments on their books as of December 31, 2012. The above investments and related credit risks are those of the Hospital.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Auditor or qualified trustee.

*Concentration of Credit Risk:* The County places no limit on the amount that may be invested in any one issuer.

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 29,431,822
Investments	756,581
Unrecorded cash	6,233
Cash on hand	<u>130,201</u>
Total	<u>\$ 30,324,837</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 14,058,998
Business-type activities	11,828,062
Component unit*	28,903
Agency	<u>4,408,874</u>
Total	<u>\$ 30,324,837</u>

\*Cash and cash equivalents of the Holmes County Regional Planning Commission are pooled and invested by the County (See Note 26 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 27 and 28, respectively, for detail) and are reported on the financial statements as "cash and cash equivalents in segregated accounts."

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 1,086,056
<u>Transfers from county board of DD fund to:</u>	
Nonmajor governmental funds	175,000
<u>Transfers from nonmajor governmental funds to:</u>	
General fund	801
<u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>102,589</u>
Total	<u>\$ 1,364,446</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.

The Board of DD transferred \$175,000 to the Board of DD capital projects fund (a nonmajor governmental fund) for the purpose of funding capital improvements. The \$801 transfer from nonmajor governmental funds to the general fund was a residual equity transfer to close out the County's third grade safety belt program. Transfers between nonmajor governmental funds included \$15,650 from the public assistance fund to the child support enforcement fund, for the purpose of funding a required local contribution, and \$86,939 from the solid waste district fund to the landfill closure debt service fund, to provide resources for a required debt payment.

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

- B.** Due from/to other funds consisted of the following at December 31, 2012, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Victim advocacy	\$ 1,909

Amounts due from/to other funds represent amounts owed between funds to cover negative cash balances. Amounts due from/to other funds between governmental funds are eliminated for reporting on the statement of net position.



**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**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 revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 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, 2012 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is reported as a deferred inflow.

The full tax rate for all County operations for the year ended December 31, 2012 was \$11.55 per \$1,000 of assessed value. The total assessed value of real property upon which 2012 property tax receipts were based was \$777,036,140.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2012, consisted of taxes, interest, accounts (billings for user charged services), 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 sheets and statement of net position and all interfund receivables have been classified as "due from other funds" on the balance sheets. Sewer loans receivable have been recorded as described in Note 7.D. 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.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

**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 to the State Auditor 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 2012, 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 2012 amounted to \$5,605,604 as reported on the fund financial statements.

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**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

**B. Intergovernmental**

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

<u>General fund</u>	<u>Amount</u>
Homestead and rollback	\$ 127,500
Local government	235,009
Casino taxes	218,606
Other	17,924
Total	<u>599,039</u>
<u>County Board of DD</u>	
Grants	25,567
Homestead and rollback	139,950
Total	<u>165,517</u>
<u>Motor vehicle license and gas tax</u>	
Gasoline excise and motor vehicle license tax	2,014,168
Total	<u>2,014,168</u>
<u>Nonmajor governmental funds</u>	
Public assistance	346,801
Child support enforcement	246,342
Work enforcement act	6,864
State victims assistance grants	5,858
Victim advocacy/office of criminal justice	2,525
Disaster services	5,530
CHIP	12,296
Children services	94,309
Total	<u>720,525</u>
Total governmental funds	<u>\$ 3,499,249</u>
<u>Agency funds</u>	
County public library	\$ 530,543
Gasoline and license tax	724,815
Undivided local government	156,672
Park district	6,000
Travel and tourism	42,231
Total agency funds	<u>\$ 1,460,261</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

**C. Accounts Receivable - Enterprise Funds**

Accounts receivable for the enterprise funds consist of billings for user charged services. A summary of the established allowances follows:

	<u>Gross Receivable</u>	<u>Contractual Adjustments</u>	<u>Uncollectible Adjustments</u>	<u>Net Receivable</u>
Sewer district	\$ 77,312	\$ -	\$ -	\$ 77,312
Joel Pomerene Hospital	<u>6,569,239</u>	<u>(2,045,137)</u>	<u>(1,453,500)</u>	<u>3,070,602</u>
Total enterprise funds	<u>\$ 6,646,551</u>	<u>\$ (2,045,137)</u>	<u>\$ (1,453,500)</u>	<u>\$ 3,147,914</u>

**D. Sewer Loans Receivable**

The sewer district financed access fees for the Berlin wastewater treatment facility. The amounts owed to the sewer district for these services are recorded as “loans receivable” on the financial statements. During 2012, the County received principal and interest payments of \$5,839 and \$1,030, respectively. As of December 31, 2012, there was \$12,767 in loans receivable.

**NOTE 8 - NET CHARGE FOR SERVICE REVENUE**

The County receives charges for services revenue in the enterprise funds for services provided to customers. The Hospital enterprise fund provides services to certain patients by various third-party payer arrangements that provides for payments to the Hospital at amounts different from its established rates. Gross charges for services revenue and the allowance to reconcile to net charges for services are as follows:

	<u>Sewer District</u>	<u>Joel Pomerene Hospital</u>	<u>Charges for Services Total</u>
Gross charges for service revenue	\$ 1,048,743	\$ 55,225,139	\$ 56,273,882
Revenue deductions:			
Provision for contractual allowances	-	(24,670,411)	(24,670,411)
Bad debts	<u>-</u>	<u>(2,023,398)</u>	<u>(2,023,398)</u>
Net charges for services revenue	<u>\$ 1,048,743</u>	<u>\$ 28,531,330</u>	<u>\$ 29,580,073</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012, was as follows:

<b><u>Governmental activities:</u></b>	Balance 12/31/2011	Additions	Deductions	Balance 12/31/2012
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,007,088	\$ 30,320	\$ -	\$ 1,037,408
Construction in progress	42,064	-	-	42,064
Total capital assets, not being depreciated	<u>1,049,152</u>	<u>30,320</u>	<u>-</u>	<u>1,079,472</u>
<i>Capital assets, being depreciated:</i>				
Buildings	17,829,126	26,555	-	17,855,681
Improvements other than buildings	159,133	-	-	159,133
Furniture, fixtures and equipment	4,143,224	219,611	(13,724)	4,349,111
Vehicles	4,260,935	343,022	(78,041)	4,525,916
Infrastructure	26,638,306	867,243	-	27,505,549
Total capital assets, being depreciated	<u>53,030,724</u>	<u>1,456,431</u>	<u>(91,765)</u>	<u>54,395,390</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(9,764,147)	(494,247)	-	(10,258,394)
Improvements other than buildings	(88,803)	(4,511)	-	(93,314)
Furniture, fixtures and equipment	(2,857,947)	(203,264)	13,036	(3,048,175)
Vehicles	(2,961,685)	(288,993)	63,488	(3,187,190)
Infrastructure	(12,982,294)	(742,377)	-	(13,724,671)
Total accumulated depreciation	<u>(28,654,876)</u>	<u>(1,733,392)</u>	<u>76,524</u>	<u>(30,311,744)</u>
Total capital assets, being depreciated net	<u>24,375,848</u>	<u>(276,961)</u>	<u>(15,241)</u>	<u>24,083,646</u>
Governmental activities capital assets, net	<u>\$ 25,425,000</u>	<u>\$ (246,641)</u>	<u>\$ (15,241)</u>	<u>\$ 25,163,118</u>

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

<b><u>Governmental activities:</u></b>	
Legislative and executive	\$ 109,340
Judicial	26,053
Public safety	197,071
Public works	980,399
Health	1,472
Human services	419,057
Total depreciation expense - governmental activities	<u>\$ 1,733,392</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 9 - CAPITAL ASSETS - (Continued)**

	Balance 12/31/2011	Additions	Deductions	Balance 12/31/2012
<b><u>Business-type activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 700,423	\$ -	\$ -	\$ 700,423
Construction in progress	6,115,647	727,823	-	6,843,470
Total capital assets, not being depreciated	6,816,070	727,823	-	7,543,893
<i>Capital assets, being depreciated:</i>				
Land improvement	976,002	-	-	976,002
Buildings and improvement	2,679,103	-	-	2,679,103
Equipment and machinery	896,159	8,983	-	905,142
Sewer/water lines	4,513,236	891,985	-	5,405,221
Building and fixed equipment	17,925,235	361,630	-	18,286,865
Moveable equipment	11,774,278	297,226	(10,872)	12,060,632
Sub-specialty medical clinic	214,198	-	-	214,198
Modular medical office building	560,323	-	-	560,323
OB/GYN clinic moveable equipment	17,000	-	-	17,000
Total capital assets, being depreciated	39,555,534	1,559,824	(10,872)	41,104,486
<i>Less: accumulated depreciation:</i>				
Land improvement	(639,230)	(31,238)	-	(670,468)
Buildings and improvements	(1,265,886)	(67,835)	-	(1,333,721)
Equipment and machinery	(519,930)	(32,820)	-	(552,750)
Sewer/water lines	(2,024,420)	(135,131)	-	(2,159,551)
Building and fixed equipment	(8,772,258)	(577,243)	-	(9,349,501)
Moveable inventory	(9,558,372)	(640,415)	7,640	(10,191,147)
Sub-specialty medical clinic	(144,190)	(10)	-	(144,200)
Modular medical office building	(449,596)	(190)	-	(449,786)
OB/GYN clinic moveable equipment	(17,000)	-	-	(17,000)
Total accumulated depreciation	(23,390,882)	(1,484,882)	7,640	(24,868,124)
Total capital assets, being depreciated net	16,164,652	74,942	(3,232)	16,236,362
Business-type activities capital assets, net	\$ 22,980,722	\$ 802,765	\$ (3,232)	\$ 23,780,255

Depreciation expense was charged to the business-type activities funds as follows:

<b><u>Business-type activities:</u></b>	
Sewer district	\$ 235,786
Joel Pomerene Memorial Hospital	1,249,096
Total depreciation expense - business-type activities	\$ 1,484,882

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

**A. Governmental Activities**

In a prior year the County entered into a capital lease agreement for copier equipment. Capital assets consisting of equipment have been capitalized in the amount of \$8,109. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2012 was \$2,027, leaving a current book value of \$6,082. A corresponding liability was recorded in the statement of net position. Principal payments in 2012 totaled \$1,491 paid by the County from the general fund.

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

<u>Year</u>	<u>Payment</u>
2013	\$ 1,900
2014	1,900
2015	<u>950</u>
Total minimum lease payments	4,750
Less: Amounts representing interest	<u>(458)</u>
Present value of minimum lease payments	<u>\$ 4,292</u>

**B. Business-Type Activities**

The Hospital has entered into various non-cancelable lease agreements for equipment. These capital leases are due in monthly installments including interest at rates ranging from 0 to 7.9 percent. They expire at various times through 2020 and are collateralized by the equipment leased. Capital assets consisting of equipment have been capitalized in the amount of \$1,044,385. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2012 was \$228,667, leaving a current book value of \$815,718. A corresponding liability was recorded in the statement of net position. Principal payments in 2012 totaled \$209,860 paid by the Hospital.

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

<u>Year Ended</u>	<u>Hospital</u>
2013	\$ 186,561
2014	98,951
2015	39,404
2016	34,355
2017	33,333
2018 - 2020	<u>91,666</u>
Total minimum lease payments	484,270
Less: Amounts representing interest	<u>(11,424)</u>
Present value of minimum lease payments	<u>\$ 472,846</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 11 - OPERATING LEASES - LESSEE DISCLOSURE**

The Hospital has entered into operating lease agreements for equipment which expire at various times through 2014. Equipment operating lease expense totaled \$514,690 in 2012.

Effective March 1, 2009, the Hospital signed a five-year lease agreement for office space from Family Properties, Ltd. The lease expires in February 2014 with the option to lease for up to two additional terms of five years each. In addition, the Hospital signed five-year sub-lease agreements with various businesses in the area for this office space. The total amount of rentals to be received in the future under these sub-leases is \$196,397. Office lease expense totaled \$285,180 in 2012.

Effective April 27, 2004, the Hospital signed a ten-year lease agreement for a medical facility in Berlin, Ohio. The lease expires in 2014 with the option to lease for three additional three year terms. Lease expense was \$66,417 in 2012.

**NOTE 12 - 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 and loans outstanding:

	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>
<u>General obligation bonds:</u>			
1998 capital facilities	4.25%	\$ 2,400,000	12/1/2012
2011 landfill improvement	1.00-5.25%	\$ 2,600,000	12/1/2041
2011 various purpose refunding	1.00-4.00%	\$ 2,770,000	12/1/2024
2012 Sewer system improvement refundng	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



**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

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

During 2012, the following activity occurred in the County's governmental long-term obligations:

	<u>Balance</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2012</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
Series 1998 capital facilities bond	\$ 215,000	\$ -	\$ (215,000)	\$ -	\$ -
Series 2011 landfill improvement bonds	2,600,000	-	(55,000)	2,545,000	50,000
Series 2011 various purpose refunding bonds	<u>2,570,000</u>	<u>-</u>	<u>(215,000)</u>	<u>2,355,000</u>	<u>220,000</u>
Total general obligation bonds	<u>\$ 5,385,000</u>	<u>\$ -</u>	<u>\$ (485,000)</u>	<u>\$ 4,900,000</u>	<u>\$ 270,000</u>
<u>Other long-term obligations:</u>					
Landfill closure and postclosure care liability	\$ 4,514,240	\$ -	\$(2,251,951)	\$ 2,262,289	\$ 109,435
Capital lease obligation	5,783	-	(1,491)	4,292	1,615
Compensated absences payable	<u>1,090,854</u>	<u>778,860</u>	<u>(697,385)</u>	<u>1,172,329</u>	<u>771,351</u>
Total other long-term obligations	<u>\$ 5,610,877</u>	<u>\$ 778,860</u>	<u>\$(2,950,827)</u>	<u>\$ 3,438,910</u>	<u>\$ 882,401</u>
Total governmental activities long-term obligations	<u>\$ 10,995,877</u>	<u>\$ 778,860</u>	<u>\$(3,435,827)</u>	<u>\$ 8,338,910</u>	<u>\$ 1,152,401</u>
Add: unamortized premium on bonds				<u>97,933</u>	
Total on the statement of net position				<u>\$ 8,436,843</u>	

General Obligation Bonds: The general obligation bonds are supported by the full faith and credit of the County. The 1998 capital facilities bond will be repaid with sales tax revenues. The 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. The 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.

Capital Lease Obligation: The capital lease obligation will be paid from the general fund. See Note 10.A. for detail.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

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:

<p><u>Major Governmental Funds</u></p> <p>General</p> <p>Motor vehicle license and gas tax</p> <p>County board of DD</p> <p><u>Major Enterprise Fund</u></p> <p>Sewer district</p> <p><u>Non Major Governmental Funds</u></p> <p>Dog and kennel</p> <p>Public assistance</p> <p>Probate court</p>	<p><u>Non Major Governmental Funds (continued)</u></p> <p>Child support enforcement</p> <p>Real estate assesment</p> <p>State victims assistance</p> <p>License bureau</p> <p>County home</p> <p>Disaster services</p> <p>Youth services</p> <p>Solid waste district</p> <p>Tax map</p>
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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 Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 270,000	\$ 176,829	\$ 446,829
2014	280,000	173,029	453,029
2015	280,000	167,263	447,263
2016	285,000	161,499	446,499
2017	295,000	155,634	450,634
2018 - 2022	1,220,000	657,536	1,877,536
2023 - 2027	665,000	475,912	1,140,912
2028 - 2032	450,000	367,563	817,563
2033 - 2037	575,000	242,562	817,562
2038 - 2041	580,000	77,963	657,963
	<u>580,000</u>	<u>77,963</u>	<u>657,963</u>
Total	<u>\$ 4,900,000</u>	<u>\$ 2,655,790</u>	<u>\$ 7,555,790</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

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

During 2012, the following activity occurred in the County's business-type activities long-term obligations:

	<u>Balance</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2012</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
Sewer system improvement	\$ 2,320,500	\$ -	\$(2,320,500)	\$ -	\$ -
Sewer system improvement refunding	<u>-</u>	<u>2,380,000</u>	<u>(45,000)</u>	<u>2,335,000</u>	<u>75,000</u>
Total general obligation bonds	<u>2,320,500</u>	<u>2,380,000</u>	<u>(2,365,500)</u>	<u>2,335,000</u>	<u>75,000</u>
<u>OPWC loans:</u>					
Sanitary sewer plant	30,569	-	(2,912)	27,657	2,911
Mt. Hope	35,109	-	(3,901)	31,208	3,901
Walnut Creek	121,258	-	(8,363)	112,895	8,363
Walnut Creek Upgrade	974,954	25,046	(16,667)	983,333	33,333
October Hills	-	391,986	(6,533)	385,453	13,067
Walnut Creek	<u>-</u>	<u>112,760</u>	<u>-</u>	<u>112,760</u>	<u>-</u>
Total OPWC loans	<u>1,161,890</u>	<u>529,792</u>	<u>(38,376)</u>	<u>1,653,306</u>	<u>61,575</u>
<u>Other long-term obligations:</u>					
USDA loan	2,556,000	-	-	2,556,000	35,000
Note payable	1,075,000	-	(50,000)	1,025,000	50,000
Capital leases-equipment	386,039	296,667	(209,860)	472,846	177,696
Compensated absences	<u>27,602</u>	<u>1,718</u>	<u>(27,293)</u>	<u>2,027</u>	<u>1,718</u>
Total other long-term obligations	<u>4,044,641</u>	<u>298,385</u>	<u>(287,153)</u>	<u>4,055,873</u>	<u>264,414</u>
Total business-type activities long-term obligations	<u>\$ 7,527,031</u>	<u>\$3,208,177</u>	<u>\$(2,691,029)</u>	8,044,179	<u>\$400,989</u>
Less: unamortized discount on bonds				<u>(2,417)</u>	
Total on the statement of net position				<u>\$ 8,041,762</u>	

*General Obligation 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. This refunding was undertaken to reduce total future debt service payments by \$759,431. The refunding bond issue is comprised of all term bonds with interest rates ranging from 1.10% to 4.25%. Principal and interest payments are made from the sewer district fund.

*OPWC Loans:* The Ohio Public Works Commission (OPWC) 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 future debt service requirements for the OPWC loans on the following page does not include the Walnut Creek loan issued in 2012 as this loan has not been completely closed out as of December 31, 2012.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

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, with payments beginning in 2013.

Note Payable: The Hospital has obtained a \$1,250,000, unsecured, interest-free, loan from Aultman Health Foundation (Aultman), with annual payments of \$50,000 through July 2033. Aultman has the option to call the loan in July 2018. A corresponding liability was recorded in the statement of net position. Principal payments in 2012 totaled \$50,000 paid by the Hospital.

The Hospital is required to meet certain covenants with respect to the Aultman note agreement, including minimum debt service coverage. The Hospital was in compliance with these covenants at December 31, 2012.

Capital Leases - Equipment: The capital lease obligation will be paid by the Hospital. See Note 10.B. for detail.

The following is a summary of the future debt service requirements of the bonds, loans and note:

Year Ended	General obligation bonds			OPWC	Note
	Principal	Interest	Total	Loans	Payable
				Principal	Principal
2013	\$ 75,000	\$ 66,528	\$ 141,528	\$ 61,575	\$ 50,000
2014	75,000	65,703	140,703	61,574	50,000
2015	75,000	64,878	139,878	61,576	50,000
2016	75,000	64,053	139,053	61,573	50,000
2017	75,000	62,653	137,653	61,574	50,000
2018 - 2022	410,000	290,765	700,765	298,614	775,000
2023 - 2027	475,000	237,363	712,363	261,267	-
2028 - 2032	555,000	161,925	716,925	231,997	-
2033 - 2037	520,000	55,251	575,251	231,998	-
2038 - 2042	-	-	-	208,798	-
Total	<u>\$ 2,335,000</u>	<u>\$ 1,069,119</u>	<u>\$ 3,404,119</u>	<u>\$ 1,540,546</u>	<u>\$ 1,025,000</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Year Ended	USDA loan		
	Principal	Interest	Total
2013	\$ 35,000	\$ 83,070	\$ 118,070
2014	36,000	81,933	117,933
2015	38,000	80,763	118,763
2016	39,000	79,622	118,622
2017	40,000	78,325	118,325
2018 - 2022	217,000	372,184	589,184
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 - 2050	<u>331,000</u>	<u>21,979</u>	<u>352,979</u>
Total	<u>\$ 2,556,000</u>	<u>\$ 1,935,962</u>	<u>\$ 4,491,962</u>

- D.** 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, 2012, the County's total legal debt margin was \$13,103,575 and the unvoted legal debt margin was \$2,948,032.

**NOTE 13 - 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, 2012, the County's total liability for unpaid compensated absences was \$1,174,356.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 13 - OTHER EMPLOYEE BENEFITS - (Continued)**

**B. Health and Life Insurance**

The County provides health insurance to its employees through Aultcare of Ohio. The County also provides life insurance and accidental death and dismemberment insurance to its employees through Ohio National Life.

**NOTE 14 - 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.

The County is a member of County Risk Sharing Authority, Inc. (CORSA), which is a shared risk pool of 63 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. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. The County pays all elected officials' bonds by statute.

For 2012, 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, 2012

#### NOTE 14 - 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.

The Hospital is fully insured for employee health benefits through a commercial carrier. The Hospital pays a monthly premium for its employees' health insurance.

#### NOTE 15 - PENSION PLANS

##### A. Ohio Public Employees Retirement System

Plan Description - The County participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012 member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2012 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.50% and 12.10%, respectively. The County's contribution rate for 2012 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### NOTE 15 - PENSION PLANS - (Continued)

The County's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The County's contribution rate for pension benefits for members in the Combined Plan and Traditional Plan was 7.95% and 10.00%, respectively. For those plan members in law enforcement and public safety pension contributions were 14.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$1,294,759, \$1,338,101, and \$1,201,667, respectively; 100% has been contributed for all three years. Contributions to the member-directed plan for 2012 were \$24,866 made by the County and \$17,761 made by the plan members.

The Hospital's contributions for pension obligations were approximately \$1,094,315, \$1,117,027 and \$926,000 for the years ended December 31, 2012, 2011 and 2010, respectively.

#### **B. State Teachers Retirement System of Ohio**

Plan Description - The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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 - For 2012, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.



## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### NOTE 15 - PENSION PLANS - (Continued)

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2012, 2011 and 2010 were \$71,717, \$76,235 and \$82,934, respectively; 100 percent has been contributed for all three years.

#### NOTE 16 - POSTEMPLOYMENT BENEFIT PLANS

##### A. Ohio Public Employees Retirement

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

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, 2012, 2011, and 2010 were \$500,743, \$520,034, and \$657,366, respectively; 100% has been contributed for all three years.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 16 - POSTEMPLOYMENT BENEFIT PLANS - (Continued)**

The Hospital's contributions to fund post-employment health care benefits were approximately \$437,696, \$446,780 and \$595,000 for the years ended December 31, 2012, 2011 and 2010, respectively.

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 percent of the employer contributions toward the health care fund after the end of the transition period.

**B. State Teachers Retirement System of Ohio**

Plan Description - The County contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" 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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2012, 2011 and 2010 were \$5,517, \$5,864 and \$6,380, respectively; 100 percent has been contributed for all three years.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, 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,

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

(d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>	<u>County Board of DD</u>	<u>Motor vehicle license and Gas tax</u>
Budget basis	\$ 656,922	\$ 114,377	\$ 580,746
Net adjustment for revenue accruals	207,782	(55,153)	188,845
Net adjustment for expenditure accruals	(339,564)	480,066	(44,013)
Net adjustment for other sources/uses	244,333	-	-
Funds budgeted elsewhere	97,798	-	-
Adjustment for encumbrances	<u>13,741</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$ 881,012</u>	<u>\$ 539,290</u>	<u>\$ 725,578</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 18 - 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, 2012.

**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, 2012.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 19 - FUND BALANCE**

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

Fund balance	General	County Board of DD	Motor Vehicle License and Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 70,727	\$ 12,771	\$ 621,940	\$ 18,453	\$ 723,891
Prepayments	63,258	7,955	939	17,856	90,008
Unclaimed monies	57,533	-	-	-	57,533
Total nonspendable	<u>191,518</u>	<u>20,726</u>	<u>622,879</u>	<u>36,309</u>	<u>871,432</u>
Restricted:					
Capital projects	-	-	-	1,228,049	1,228,049
Debt service	-	-	-	77,671	77,671
Public works projects	-	-	1,334,733	46,416	1,381,149
Public safety programs	-	-	-	794,373	794,373
Human services programs	-	2,491,298	-	3,826,632	6,317,930
Real estate assessment	-	-	-	812,017	812,017
Court special projects	-	-	-	245,759	245,759
Other purposes	-	-	-	303,932	303,932
Total restricted	<u>-</u>	<u>2,491,298</u>	<u>1,334,733</u>	<u>7,334,849</u>	<u>11,160,880</u>
Committed:					
Capital projects	-	-	-	254,726	254,726
Compensated absences	238,620	-	-	-	238,620
Employee benefits	119,650	-	-	-	119,650
Total committed	<u>358,270</u>	<u>-</u>	<u>-</u>	<u>254,726</u>	<u>612,996</u>
Assigned:					
Subsequent year appropriations	2,030,900	-	-	-	2,030,900
Public safety programs	92,172	-	-	-	92,172
Other purposes	13,741	-	-	-	13,741
Total assigned	<u>2,136,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,136,813</u>
Unassigned	<u>620,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>620,553</u>
Total fund balances	<u>\$ 3,307,154</u>	<u>\$ 2,512,024</u>	<u>\$ 1,957,612</u>	<u>\$ 7,625,884</u>	<u>\$ 15,402,674</u>

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 20 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 82,149
Nonmajor governmental	<u>170,370</u>
Total	<u>\$ 252,519</u>

**NOTE 21 - 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, 2012, of \$2,262,289 represents the estimated remaining closure and postclosure care costs. This amount represents an estimate of what it would cost to perform all closure and postclosure care at December 31, 2012. However, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 22 - CHARITY CARE**

The Hospital provides medical care without charge, or at a reduced cost, to residents of its community, primarily through (1) services provided at no charge to the uninsured; (2) the difference between public programs' payments (primarily Medicare and Medicaid) and the related costs of providing such service; and (3) the services provided to patients expressing a willingness to pay, but who are determined to be unable to pay because of socioeconomic factors. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for service and supplies furnished under its charity care policy. Charges forgone for services rendered under the Hospital's charity care policy were approximately \$2,254,269 in 2012.

**NOTE 23 - MEDICAL MALPRACTICE CLAIMS**

The Hospital has purchased occurrence-based insurance to protect itself against losses from medical malpractice claims. The policy covers claims resulting from incidents that occur during the policy term, regardless of when the claims are reported to the insurance carrier. The Hospital is not aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits of \$1,000,000 per individual claims and \$3,000,000 in annual aggregate.

The Hospital is not aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. No claims have been settled during the past three years that have exceeded policy coverage limits. The cost of this insurance policy represents the Hospital's cost for such claims for the past three years, and it has been charged to operations as a current expense.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 24 - RELATED PARTY TRANSACTIONS**

During 2012, 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 \$173,503 for in-kind contributions. Lynn Hope Industries 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.

The Holmes County Board of DD paid \$14,545 to Lynn Hope Industries, Inc. for services provided during 2012, which includes accounts payable of \$1,262.

**NOTE 25 - CONTRACTUAL COMMITMENTS**

The Airport Authority has commenced a project for the construction of a new runway, and has entered into the following contracts related to the project:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Balance at 12/31/12</u>
B & B Wrecking	\$ 97,037	\$ 88,234	\$ 8,803
Fechko Excavating	2,701,036	694,062	2,006,974
M & B Gas Services	54,511	49,060	5,451
Stantec Consulting Services Inc.	296,005	99,597	196,408
	<u>\$ 3,148,589</u>	<u>\$ 930,953</u>	<u>\$ 2,217,636</u>

**NOTE 26 - 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.

**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.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 26 - HOLMES COUNTY REGIONAL PLANNING COMMISSION - (Continued)

C. Compensated Absences

The Commission records liabilities for vacation and sick leave accumulated by its employees at the same rate as the County (see Note 2.J.). At December 31, 2012, vacation and sick leave liability were \$7,956 and \$7,690, respectively. The entire compensated absences liability is reported on the government-wide financial statements.

NOTE 27 - 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.

Basis of Presentation - The Organization has adopted Financial Accounting Standards Board Statement of Accounting Standards (FAS) No. 117 (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

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, 2012, there were no restricted contributions to the Organization.

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.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and a liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 27 - LYNN HOPE INDUSTRIES, INC. - (Continued)**

**B. Non-Cash Transactions**

The Organization received in-kind services and facilities for the year ended December 31, 2012 from the Holmes County Board of DD. The value of the in-kind contribution was determined to be \$173,503 and is recorded in operating grants and operating expenses as an equivalent amount.

**C. Deposits and Investments**

The carrying amount and bank balance of the Organization's deposits at year end was \$93,969. The entire bank 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 \$14,545 for the year ended December 31, 2012. The Organization had \$1,262 in accounts receivable from the Holmes County Board of DD at December 31, 2012.

**E. Long-Term Liabilities**

*Note payable - bank* - This note was issued for the purpose of constructing the workshop. Monthly payments of \$1,792 include interest at 6%. The final payment is due May 2020. The note is not collateralized.

Note payable	\$ 97,374
Less: current portion	<u>(16,098)</u>
Total	<u>\$ 81,276</u>

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

2013	\$ 16,098
2014	17,091
2015	18,145
2016	19,264
2017	20,452
2018 - 2020	<u>6,324</u>
Total	<u>\$ 97,374</u>



**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 27 - LYNN HOPE INDUSTRIES, INC. - (Continued)**

**F. Capital Assets**

A summary of capital assets at December 31, 2012 follows:

Equipment	\$ 76,730
Vehicles	89,177
Furniture and fixtures	<u>3,804</u>
Subtotal	169,711
Less: accumulated depreciation	<u>(100,140)</u>
Net capital assets	<u>\$ 69,571</u>

**NOTE 28 - 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 accounting principles generally accepted in the United States of America (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>
Buildings and improvements	20 - 50
Equipment	10 - 30

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 28 - HOLMES COUNTY AIRPORT AUTHORITY - (Continued)**

A summary of capital assets at December 31, 2012, follows:

Land	\$ 54,357
Construction in progress	1,732,210
Buildings and improvements	581,743
Equipment	<u>137,264</u>
Subtotal	2,505,574
Less: accumulated depreciation	<u>(398,695)</u>
Net capital assets	<u>\$ 2,106,879</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, a money market savings account and certificates of deposit.

At December 31, 2012, the carrying amount and bank balance of the Airport Authority's deposits was \$370,015. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2012, \$82,208 of the Airport Authority's bank balance was exposed to custodial risk as discussed below, while \$287,807 was covered by the FDIC.

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

## **SUPPLEMENTARY DATA**

**HOLMES COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
(B)(D) National School Lunch Program	10.555	2012	\$ 5,677
<b>PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</b>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-89-20-1083/G-1011-11-5058	131,992
<b>PASSED THROUGH THE N/A</b>			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	44,650
<b>Total U.S. Department of Agriculture</b>			<b>182,319</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT</b>			
Community Development Block Grants/State's Program	14.228	B-F-11-1B1-1	182,000
Community Development Block Grants/State's Program	14.228	B-C-10-1B1-1	95,132
Community Development Block Grants/State's Program	14.228	B-F-10-1B1-1	120,051
<b>Total Community Development Block Grants/State's Programs</b>			<b>397,183</b>
Home Investment Partnerships Program	14.239	B-C-10-1B1-2	183,948
<b>Total Home Investment Partnerships Program</b>			<b>183,948</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>581,131</b>
<b>U.S. DEPARTMENT OF JUSTICE PASSED THROUGH THE OFFICE OF CRIMINAL JUSTICE SERVICES</b>			
Crime Victim Assistance	16.575	2012SAGENE274	31,382
<b>Total U.S. Department of Justice</b>			<b>31,382</b>
<b>U.S. DEPARTMENT OF LABOR PASSED THROUGH MONTGOMERY COUNTY</b>			
(C) Employment Service/Wagner-Peyser Funded Activities	17.207	N/A	3,679
<b>Workforce Investment Act (WIA) Cluster:</b>			
(E) WIA Adult Program - Adult Administration	17.258	2011-7238-1/2012-7238-1	2,101
(E) WIA Adult Program	17.258	2011-7238-1/2012-7238-1	56,867
<b>Total Workforce Investment Act - Adult</b>			<b>58,968</b>
(E) WIA Youth Activities	17.259	2011-7238-1/2012-7238-1	76,939
(E) WIA Dislocated Worker	17.278	2011-7238-1/2012-7238-1	55,290
<b>Total Workforce Investment Act (WIA) Cluster</b>			<b>191,197</b>
<b>Total U.S. Department of Labor</b>			<b>194,876</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION (FAA) PASSED THROUGH THE N/A</b>			
Airport Improvement Program	20.106	N/A	639,720
Airport Improvement Program	20.106	N/A	6,296
Airport Improvement Program	20.106	N/A	3,314
Airport Improvement Program	20.106	N/A	155,684
<b>Total Airport Improvement Program</b>			<b>805,014</b>
<b>PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION</b>			
Highway Planning and Construction	20.205	88457	11,043
Highway Planning and Construction	20.205	92742	4,768
Highway Planning and Construction	20.205	92257	268,600
Highway Planning and Construction	20.205	84860	1,418
Highway Planning and Construction	20.205	90189	15,424
<b>Total Highway Planning and Construction</b>			<b>301,253</b>
<b>Total U.S. Department of Transportation</b>			<b>1,106,267</b>

-Continued

**HOLMES COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
(D) Special Education Grants to States	84.027	2012	52,144
(D) Special Education-Grants for Infants and Families	84.181	2012	6,004
(D) Special Education-Grants for Infants and Families	84.181	2012	1,946
<b>Total Special Education Grants for Infants and Families</b>			<u>7,950</u>
<b>Total U.S. Department of Education</b>			<u>60,094</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</b>			
Promoting Safe & Stable Families	93.556		65,091
Temporary Assistance for Needy Families (TANF) State Programs - Administration	93.558	G-1011-11-5058/G-1213-11-0058	422,241
Temporary Assistance for Needy Families (TANF) State Programs	93.558	G-1011-11-5058/G-1213-11-0058	361,338
<b>Total Temporary Assistance for Needy Families (TANF) State Programs</b>			<u>783,579</u>
Child Support Enforcement	93.563		488,897
Child Care and Development Block Grant	93.575	G-1011-11-5058/G-1213-11-0058	53,861
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1011-11-5058/G-1213-11-0058	46,990
Foster Care Title IV-E	93.658	G-1011-11-5058/G-1213-11-0058	126,865
Foster Care Title IV-E - Administration	93.658	G-1011-11-5058/G-1213-11-0058	86,356
<b>Total Foster Care Title IV-E</b>			<u>213,221</u>
Non-recurring Adoption	93.659	G-1011-11-5058/G-1213-11-0058	1,000
Adoption Assistance	93.659	G-1011-11-5058/G-1213-11-0058	95,182
<b>Total Adoption Assistance</b>			<u>96,182</u>
Chaffee Foster Care Independence Program	93.674	G-1011-11-5058/G-1213-11-0058	3,686
<b>PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES</b>			
(F) Social Services Block Grant	93.667	N/A	423,211
(C) Social Services Block Grant	93.667	N/A	21,105
<b>Total Social Services Block Grant</b>			<u>444,316</u>
(C) Medical Assistance Program	93.778	N/A	249,170
(C)(F) Medical Assistance Program	93.778	N/A	318
(F) Medical Assistance Program	93.778	N/A	18,397
<b>Total Medical Assistance Program</b>			<u>267,885</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>2,463,708</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE OHIO DEPARTMENT OF PUBLIC SAFETY</b>			
Emergency Management Performance Grants	97.042	2011-EP-00-0003	21,263
Homeland Security Grant Program	97.067	2009-SS-T9-0089	22,722
<b>Total U.S. Department of Homeland Security</b>			<u>43,985</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 4,663,762</u>

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

- (A) This schedule was prepared on the cash basis of accounting.
  - (B) Program regulations do not require the County to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule at the fair value of the commodities received.  
Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.
  - (C) Pass-through numbers were unable to be obtained for these grants.
  - (D) OAKS did not assign pass through numbers.
  - (E) Included as part of the "Workforce Investment Act Grant Cluster" in determining major programs.
  - (F) This portion of the grant was passed through Ohio Department of Job and Family Services
- Note 1** The County passes certain federal awards received from the Ohio Department of Job and Family Services and Montgomery County to other governments or not-for-profit agencies (subrecipients). The County reports expenditures of Federal awards to subrecipients when paid in cash. As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.
- Note 2** 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, Ohio as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Holmes County's basic financial statements and have issued our report thereon dated June 14, 2013, wherein we noted as discussed in Note 3, Holmes County adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. Our report refers to other auditors who audited the financial statement of the Joel Pomerene Hospital, a major Enterprise Fund, as described in our report on Holmes County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

***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*.

We noted a certain matter not requiring inclusion in this report that we reported to Holmes County's management in a separate letter dated June 14, 2013.

***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 communication is not suitable for any other purpose.



Julian & Grube, Inc.  
June 14, 2013



**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  
Each Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

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

To the Board of Commissioners:

***Report on Compliance for Each 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) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Holmes County's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies Holmes County's major federal programs.

***Management's Responsibility***

Holmes County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on Holmes County's compliance for each of Holmes County's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 Holmes County's major programs. However, our audit does not provide a legal determination of Holmes County's compliance.



Board of Commissioners  
Holmes County

***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 programs for the year ended December 31, 2012.

***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 on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

We noted a certain matter not requiring inclusion in this report that we reported to Holmes County's management in a separate letter dated June 14, 2013.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



June 14, 2013  
Julian & Grube, Inc.

**HOLMES COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2012**

<b>1. SUMMARY OF AUDITOR'S 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 §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Community Development Block Grants/State's Program, CFDA #14.228; Airport Improvement Program, CFDA #20.106; Temporary Assistance for Needy Families (TANF) State Programs, CFDA #93.558 and Social Service Block Grant, CFDA #93.667
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None



# Dave Yost • Auditor of State

## HOLMES COUNTY FINANCIAL CONDITION

### 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  
AUGUST 6, 2013