

**HOLMES COUNTY, OHIO**  
***BASIC FINANCIAL STATEMENTS***  
***(Audited)***

*FOR THE YEAR ENDED*  
*DECEMBER 31, 2016*

**JACKIE MCKEE, AUDITOR**





# Dave Yost • Auditor of State

Board of County Commissioners  
Holmes County  
2 Court Street, Suite 14  
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, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

September 13, 2017

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**HOLMES COUNTY**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

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## Independent Auditor's Report

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

To the Board of Commissioners:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Holmes County, Ohio, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Holmes County's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Holmes County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, County Board of Developmental Disabilities, and Motor Vehicle License and Gas Tax funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 24 to the financial statements, during the year ended December 31, 2016, Holmes County transferred operations of the Joel Pomerene Memorial Hospital to the Pomerene Foundation. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017, 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 27, 2017



## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016. 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 2016 are as follows:

- The total net position of the County decreased \$12,121,763 from the 2015 net position of \$59,348,715. Net position of governmental activities increased \$6,255,418, which represents an 18.30% increase from the 2015 net position of \$34,173,468. Net position of business-type activities decreased \$18,377,181 or 73.00% from the 2015 net position of \$25,175,247.
- General revenues accounted for \$16,215,822 or 44.30% of total governmental activities revenue. Program specific revenues accounted for \$20,389,522 or 55.70% of total governmental activities revenue.
- The County had \$37,108,686 in governmental activities expenses; \$20,389,522, or 54.95%, of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$16,215,822 were not adequate to provide for these programs.
- The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$14,128,495 in 2016, an increase of \$1,159,071 or 8.94% from 2015. The general fund had expenditures and other financing uses of \$14,154,253 in 2016, an increase of \$3,050,262 or 27.47% from 2015. The net changes in revenues and expenditures contributed to the general fund balance decrease of \$25,758 or 0.32% from 2015 to 2016.
- The county board of developmental disabilities (DD) fund, a major governmental fund, had revenues and other financing sources of \$5,621,305 in 2016, a decrease of \$161,334 or 2.79% from 2015. The DD fund had expenditures and other financing uses of \$5,702,056 in 2016, an increase of \$13,640 or 0.24% from 2015. The net changes in revenues and expenditures contributed to the DD fund balance decrease of \$80,751 or 3.68% from 2015 to 2016.
- The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$5,656,839 in 2016, a decrease of \$995,366 or 14.96% from 2015. The motor vehicle license and gas tax fund had expenditures of \$5,820,561 in 2016, a decrease of \$335,254 or 5.45% from 2015. The motor vehicle license and gas tax fund balance decreased \$163,722 or 8.74% from 2015 to 2016.
- Net position for the business-type activities, which is made up of the sewer district and the Joel Pomerene Hospital, decreased in 2016 by \$18,377,181 or 73.00%. from the 2015 net position of \$25,175,247. This large decrease is due to a transfer of operations of the Joel Pomerene Memorial Hospital to the Pomerene Foundation.

#### **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, 2016

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 2016?" These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the County is divided into two distinct kinds of activities:

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

Business-type activities - these services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

The County's statement of net position and statement of activities can be found on pages 17-19 of this report.

#### **Reporting the County's Most Significant Funds**

##### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds.

The County's major governmental funds are the general fund, county board of developmental disabilities (DD) and motor vehicle license and gas tax. The County's major enterprise funds are the sewer district and Joel Pomerene Memorial Hospital. The analysis of the County's major governmental and proprietary funds begins on page 12.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

#### ***Governmental Funds***

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 20-23 and the budgetary statements for the general and major special revenue funds can be found on pages 24-26 of this report.

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

The County maintains 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 an enterprise fund to account for its sewer district. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County has no internal service funds. The basic proprietary fund financial statements can be found on pages 27-31 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the County's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 32 of this report.

#### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33-82 of this report.

#### ***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's net pension liability. The required supplementary information can be found on pages 84-90 of this report.

**HOLMES COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Government-Wide Financial Analysis**

The statement of net position provides the perspective of the County as a whole. The table below provides a summary of the County's net position at December 31, 2016 and December 31, 2015.

	<b>Net Position</b>					
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2016	2015	2016	2015	2016	2015
<u>Assets</u>						
Current and other assets	\$ 33,736,939	\$ 33,757,551	\$ 921,151	\$ 20,132,459	\$ 34,658,090	\$ 53,890,010
Capital assets, net	<u>32,522,513</u>	<u>25,949,854</u>	<u>12,311,525</u>	<u>23,970,680</u>	<u>44,834,038</u>	<u>49,920,534</u>
Total assets	<u>66,259,452</u>	<u>59,707,405</u>	<u>13,232,676</u>	<u>44,103,139</u>	<u>79,492,128</u>	<u>103,810,544</u>
<u>Deferred Outflows of Resources</u>						
Pension	<u>6,136,781</u>	<u>1,925,405</u>	<u>40,466</u>	<u>1,909,690</u>	<u>6,177,247</u>	<u>3,835,095</u>
Total deferred outflows of resources	<u>6,136,781</u>	<u>1,925,405</u>	<u>40,466</u>	<u>1,909,690</u>	<u>6,177,247</u>	<u>3,835,095</u>
<u>Liabilities</u>						
Current and other liabilities	1,029,311	1,349,624	124,508	2,438,121	1,153,819	3,787,745
Long-term liabilities outstanding:						
Due within one year	1,176,751	1,105,256	198,378	379,566	1,375,129	1,484,822
Net pension liability	16,904,415	11,935,274	106,202	10,183,953	17,010,617	22,119,227
Other amounts	<u>6,055,850</u>	<u>6,390,790</u>	<u>6,042,744</u>	<u>7,641,573</u>	<u>12,098,594</u>	<u>14,032,363</u>
Total liabilities	<u>25,166,327</u>	<u>20,780,944</u>	<u>6,471,832</u>	<u>20,643,213</u>	<u>31,638,159</u>	<u>41,424,157</u>
<u>Deferred Inflows of Resources</u>						
Property taxes	6,300,500	6,149,867	-	-	6,300,500	6,149,867
Pension	<u>500,520</u>	<u>528,531</u>	<u>3,244</u>	<u>194,369</u>	<u>503,764</u>	<u>722,900</u>
Total deferred inflows of resources	<u>6,801,020</u>	<u>6,678,398</u>	<u>3,244</u>	<u>194,369</u>	<u>6,804,264</u>	<u>6,872,767</u>
<u>Net Position</u>						
Net investment in capital assets	30,983,079	24,150,558	6,075,369	15,954,126	37,058,448	40,104,684
Restricted	11,285,241	11,243,039	-	567,728	11,285,241	11,810,767
Unrestricted (deficit)	<u>(1,839,434)</u>	<u>(1,220,129)</u>	<u>722,697</u>	<u>8,653,393</u>	<u>(1,116,737)</u>	<u>7,433,264</u>
Total net position	<u>\$ 40,428,886</u>	<u>\$ 34,173,468</u>	<u>\$ 6,798,066</u>	<u>\$ 25,175,247</u>	<u>\$ 47,226,952</u>	<u>\$ 59,348,715</u>

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

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$47,226,952. This amounts to \$40,428,886 in governmental activities and \$6,798,066 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 56.40% 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, 2016, was \$37,058,448. These capital assets are used to provide services to citizens and are not available for future spending.

**HOLMES COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

A portion of the County's governmental activities net position, \$10,792,080 or 26.69%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities net position is a deficit of \$1,346,273.

Overall, total assets and liabilities increased in 2016. Capital assets increased significantly for the governmental activities, as acquisitions exceeded net disposals and depreciation expense in 2016. For the business-type activities, the significant decrease is due to the County transferring operations of the Joel Pomerene Memorial Hospital to the Pomerene Foundation. As part of the transfer of operations, the land and buildings associated with the Hospital were transferred to the governmental activities.

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**HOLMES COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

The following table shows the changes in net position for governmental and business-type activities for 2016 and 2015.

	<b>Change in Net Position</b>					
	Governmental Activities 2016	Business-type Activities 2016	Governmental Activities 2015	Business-type Activities 2015	2016 Total	2015 Total
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 7,315,457	\$ 1,313,449	\$ 6,675,027	\$ 34,025,156	\$ 8,628,906	\$ 40,700,183
Operating grants and contributions	11,717,748	-	12,265,793	-	11,717,748	12,265,793
Capital grants and contributions	1,356,317	702,189	1,680,152	714,022	2,058,506	2,394,174
Total program revenues	<u>20,389,522</u>	<u>2,015,638</u>	<u>20,620,972</u>	<u>34,739,178</u>	<u>22,405,160</u>	<u>55,360,150</u>
General revenues:						
Property taxes	6,433,750	-	6,350,503	-	6,433,750	6,350,503
Sales tax	7,561,526	-	7,278,209	-	7,561,526	7,278,209
Unrestricted grants	1,844,455	-	1,758,102	-	1,844,455	1,758,102
Investment earnings	174,519	-	149,750	57,685	174,519	207,435
Other	201,572	67,709	128,382	1,826,579	269,281	1,954,961
Total general revenues	<u>16,215,822</u>	<u>67,709</u>	<u>15,664,946</u>	<u>1,884,264</u>	<u>16,283,531</u>	<u>17,549,210</u>
Total revenues	<u>36,605,344</u>	<u>2,083,347</u>	<u>36,285,918</u>	<u>36,623,442</u>	<u>38,688,691</u>	<u>72,909,360</u>
<b>Expenses</b>						
Program Expenses:						
General government						
Legislative and executive	8,114,437	-	5,465,618	-	8,114,437	5,465,618
Judicial	2,158,711	-	2,060,862	-	2,158,711	2,060,862
Public safety	5,299,354	-	4,707,218	-	5,299,354	4,707,218
Public works	7,080,091	-	6,439,719	-	7,080,091	6,439,719
Health	419,858	-	353,851	-	419,858	353,851
Human services	13,393,354	-	12,872,508	-	13,393,354	12,872,508
Conservation and recreation	481,570	-	385,234	-	481,570	385,234
Interest and fiscal charges	161,311	-	168,301	-	161,311	168,301
Sewer District	-	1,586,992	-	1,542,360	1,586,992	1,542,360
Joel Pomerene Hospital	-	-	-	34,237,146	-	34,237,146
Total expenses	<u>37,108,686</u>	<u>1,586,992</u>	<u>32,453,311</u>	<u>35,779,506</u>	<u>38,695,678</u>	<u>68,232,817</u>
Excess of revenues over expenses	(503,342)	496,355	3,832,607	843,936	(6,987)	4,676,543
Special items	-	(12,114,776)	-	-	(12,114,776)	-
Transfers	6,758,760	(6,758,760)	(100,000)	100,000	-	-
Change in net position	6,255,418	(18,377,181)	3,732,607	943,936	(12,121,763)	4,676,543
<b>Net position at beginning of year</b>	<u>34,173,468</u>	<u>25,175,247</u>	<u>30,440,861</u>	<u>24,231,311</u>	<u>59,348,715</u>	<u>54,672,172</u>
<b>Net position at end of year</b>	<u>\$ 40,428,886</u>	<u>\$ 6,798,066</u>	<u>\$ 34,173,468</u>	<u>\$ 25,175,247</u>	<u>\$ 47,226,952</u>	<u>\$ 59,348,715</u>

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

#### Governmental Activities

Governmental activities net position increased by \$6,255,418 in 2016 as total revenues once again exceeded expenses. Total program revenues decreased over 2015 primarily due to a decrease in capital grants and contributions related to on behalf monies for projects through the Ohio Department of Transportation.

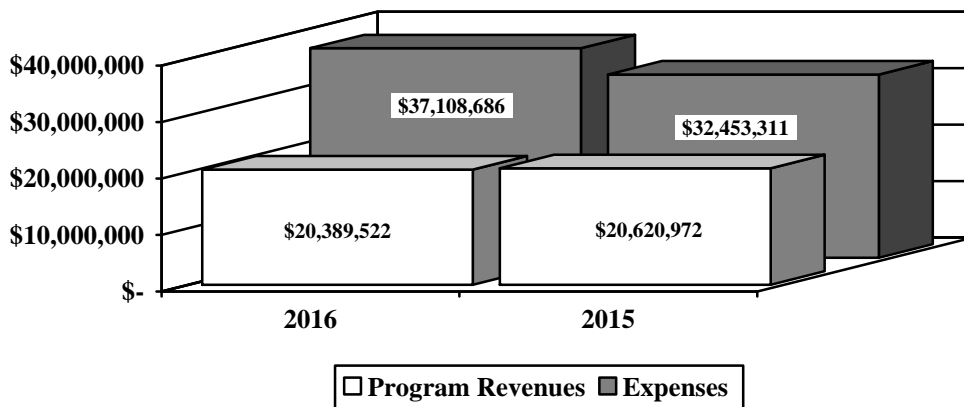
Human services, which support the operations of the county home, county board of DD, job and family services (public assistance), veteran services, and the children services board, accounted for \$13,393,354 of expenses, or 36.08% of total governmental expenses of the County. These expenses were funded by \$2,018,020 in charges to users of services, \$6,203,409 in operating grants and contributions and \$35,722 in capital grants and contributions in 2016. General government expenses, which include legislative and executive and judicial programs, accounted for \$10,273,148 or 27.68% of total governmental expenses. General government expenses were funded by \$3,524,662 of direct charges to users in 2016. Public works expenses, the County's third largest category of expenses, totaled \$7,080,091 in 2016 or 19.08% of total governmental expenses. The County's public works programs consist primarily of motor vehicle license and gas tax program, which funds road and other infrastructure repairs and improvements throughout the County.

Operating grants and contributions, which is mostly intergovernmental revenue from the State and Federal governments, totaled \$11,717,748 in 2016, compared to \$12,265,793 in 2015. These revenues are restricted to a particular program or purpose.

General revenues totaled \$16,215,822 and amounted to 44.29% of total revenues. These revenues primarily consist of property and sales tax revenue of \$13,995,276 or 86.31% of total general revenues in 2016. Revenues from property taxes increased 1.31% and sales taxes increased 3.89%. The other primary source of general revenues is grants and entitlements not restricted to specific programs, which makes up \$1,844,455 or 11.37% 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 2016 and 2015. 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, 2016**

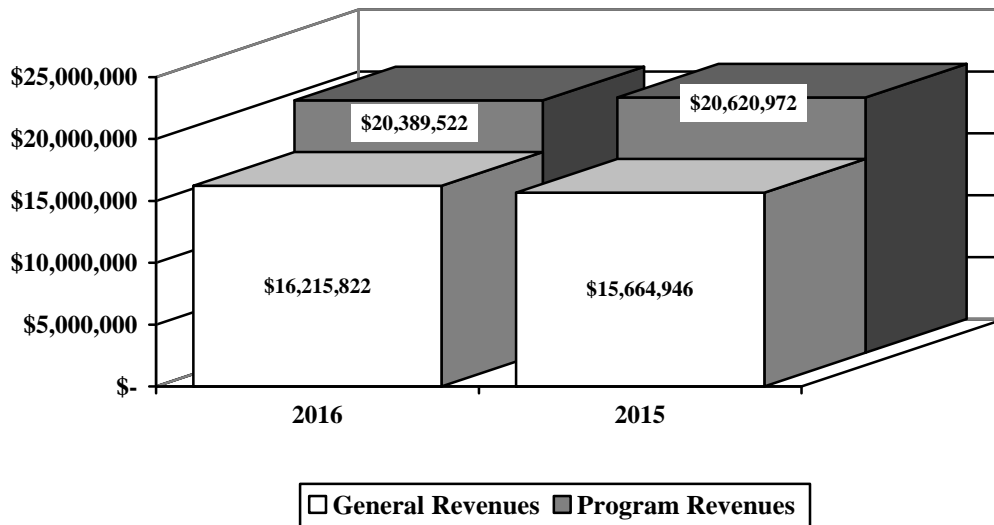
**Governmental Activities**

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Program Expenses:				
General government				
Legislative and executive	\$ 8,114,437	\$ 4,675,604	\$ 5,465,618	\$ 2,160,570
Judicial	2,158,711	1,683,612	2,060,862	1,559,830
Public safety	5,299,354	4,049,556	4,707,218	3,713,538
Public works	7,080,091	428,159	6,439,719	(556,092)
Health	419,858	225,957	353,851	156,815
Human services	13,393,354	5,136,203	12,872,508	4,364,059
Conservation and recreation	481,570	481,570	385,234	385,234
Interest and fiscal charges	161,311	38,503	168,301	48,385
<b>Total</b>	<b>\$ 37,108,686</b>	<b>\$ 16,719,164</b>	<b>\$ 32,453,311</b>	<b>\$ 11,832,339</b>

The dependence upon general revenues for governmental activities is apparent, with 45.04% of expenses supported through taxes and other general revenues during 2016.

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

**Governmental Activities - General and Program Revenues**

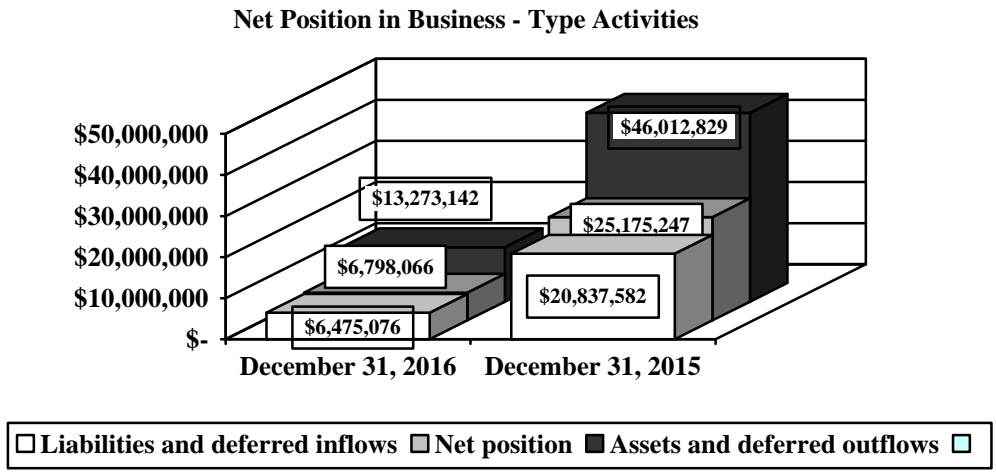


**HOLMES COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Business-Type Activities**

During 2016, the sewer district enterprise fund had program revenues of \$2,015,638, general revenues of \$67,709, and expenses of \$1,586,992 for fiscal year 2016. The net position of the sewer fund increased \$496,355 or 7.88% from 2015 net position. Due to the County transferring operations of the Joel Pomerene Memorial Hospital to the Pomerene Foundation total enterprise net position decreased \$18,377,181. The following graph illustrates the assets, deferred outflows, liabilities, deferred inflows, and net position of the County's business-type activities at December 31, 2016 and 2015:



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The County's governmental funds (as reported on the balance sheet on page 20) reported a combined fund balance of \$22,071,603, which is \$78,947 lower than last year's total of \$22,150,550. The table on the following page shows the fund balance and the total change in fund balance as of December 31, 2016 for all major and non-major governmental funds.

	Fund Balances 12/31/16	Fund Balances 12/31/15	Change
Major funds:			
General	\$ 7,960,661	\$ 7,986,419	\$ (25,758)
County Board of DD	2,113,186	2,193,937	(80,751)
Motor Vehicle License and Gas Tax	1,708,859	1,872,581	(163,722)
Other nonmajor governmental funds	<u>10,288,897</u>	<u>10,097,613</u>	<u>191,284</u>
Total	<u>\$ 22,071,603</u>	<u>\$ 22,150,550</u>	<u>\$ (78,947)</u>

**HOLMES COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

***General Fund***

The County's general fund balance decreased \$25,758. The tables that follow assist in illustrating the revenues and expenditures of the general fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 9,636,339	\$ 9,181,702	4.95 %
Charges for services	2,432,849	1,983,992	22.62 %
Licenses and permits	5,363	4,871	10.10 %
Fines and forfeitures	95,659	89,409	6.99 %
Intergovernmental	1,553,656	1,385,047	12.17 %
Investment income	174,519	149,757	16.53 %
Other	<u>210,269</u>	<u>130,309</u>	61.36 %
Total	<u>\$ 14,108,654</u>	<u>\$ 12,925,087</u>	9.16 %

Taxes revenue, which includes primarily real property and sales taxes, represents 68.26% of all general fund revenues. Most of the increase in taxes revenue came from sales taxes revenue, which increased \$394,336 or 5.95%. Charges for services revenue increased due to increases in transfer tax/conveyance fees, clerk of courts fees, and various other charges for services. All other revenues remained comparable to 2015.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government			
Legislative and executive	\$ 6,156,959	\$ 3,704,923	66.18 %
Judicial	1,892,125	1,828,171	3.50 %
Public safety	4,295,119	3,854,704	11.43 %
Health	92,425	89,933	2.77 %
Human services	581,020	524,761	10.72 %
Conservation and recreation	481,570	385,234	25.01 %
Capital outlay	-	11,004	(100.00) %
Debt service	<u>2,378</u>	<u>3,327</u>	(28.52) %
Total	<u>\$ 13,501,596</u>	<u>\$ 10,402,057</u>	29.80 %

Total general fund expenditures increased 29.80% in 2016 most due to the funding of the County's Health Reimbursement Account. All other expenditure categories increased slightly due to increased costs for employee wages and benefits.

***County Board of DD***

The county board of developmental disabilities (DD) fund is a major governmental fund that accounts for the operation of a school and resident homes for the developmentally disabled. The DD fund had revenues and other financing sources of \$5,621,305 in 2016. The DD fund had expenditures and other financing uses of \$5,702,056 in 2016. The net changes in revenues and expenditures contributed to the DD fund balance decrease of \$80,751 or 3.68% from 2015 to 2016.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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

The motor vehicle license and gas tax fund is a major governmental fund that accounts for road and bridge repair and maintenance programs throughout the County. The fund had revenues and other financing sources of \$5,656,839 in 2016. Most of the fund's revenues are intergovernmental revenues from the State for motor vehicles licenses and gasoline taxes. The motor vehicle license and gas tax fund had expenditures of \$5,820,561 in 2016. The motor vehicle license and gas tax fund balance decreased \$163,722 or 8.74% from 2015 to 2016.

#### ***Budgeting Highlights - General Fund***

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

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

In the general fund, original budgeted revenues and other financing sources of \$10,912,549 were increased to \$11,615,377 in the final budget. Actual revenues and other financing sources of \$13,081,556 were higher than final budgeted revenues by \$1,466,179 or 12.62%. Sales taxes revenue was \$1,999,572 higher than in the final budget; this is due to the County conservatively budgeting sales taxes at \$5,000,000 each year.

Original budgeted expenditures and other financing uses in the general fund were \$14,209,464. This was increased to \$14,940,548 in the final budget. Actual expenditures and other financing uses of \$13,634,622 were \$1,305,926 lower than final budgeted expenditures and financing uses. All departments in the general fund had a positive budget variance, most of which were due to the County's conservative budget practices in budgeting for higher employee wages and benefits costs.

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

The County'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 27-31 of this report.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At the end of 2016, the County had \$44,834,038 (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, \$32,522,513 was reported in governmental activities and \$12,311,525 was reported in business-type activities. The following table shows 2016 balances compared to 2015:

**HOLMES COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 1,652,028	\$ 1,037,408	\$ 98,503	\$ 730,490	\$ 1,750,531	\$ 1,767,898
Land improvements	287,204	76,935	-	56,696	287,204	133,631
Building and improvements	11,906,227	6,231,361	6,891,557	15,212,541	18,797,784	21,443,902
Furniture, fixtures and equipment	1,658,531	1,454,424	324,801	3,427,948	1,983,332	4,882,372
Vehicles	2,058,480	2,262,035	-	-	2,058,480	2,262,035
Infrastructure	14,960,043	14,573,331	-	-	14,960,043	14,573,331
Sewer/water lines	-	-	4,530,709	4,543,005	4,530,709	4,543,005
Construction in progress	-	314,360	465,955	-	465,955	314,360
<b>Total</b>	<b><u>\$ 32,522,513</u></b>	<b><u>\$ 25,949,854</u></b>	<b><u>\$ 12,311,525</u></b>	<b><u>\$ 23,970,680</u></b>	<b><u>\$ 44,834,038</u></b>	<b><u>\$ 49,920,534</u></b>

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

The County's largest governmental activities capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 46.00% of the County's total governmental capital assets.

The County's second largest business-type capital asset category is sewer/water lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's sewer and water lines (cost less accumulated depreciation) represents approximately 36.80% of the County's total business-type capital assets.

***Debt Administration***

At December 31, 2016 the County had \$10,097,024 in general obligation bonds, capital lease obligations, loans and notes payable. Of this total, \$519,135 is due within one year and \$9,577,889 is due in more than one year. The following table summarizes the outstanding debt.

**Outstanding Debt, at Year End**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Long-Term Obligations				
General obligation bonds	\$ 3,785,000	\$ 2,035,000	\$ 4,070,000	\$ 2,110,000
Capital lease obligations	73,856	-	102,382	166,350
USDA loan	-	2,408,000	-	2,447,000
Note payable	-	-	-	1,421,000
OPWC loans	-	1,795,168	-	1,874,317
<b>Total</b>	<b><u>\$ 3,858,856</u></b>	<b><u>\$ 6,238,168</u></b>	<b><u>\$ 4,172,382</u></b>	<b><u>\$ 8,018,667</u></b>

## **HOLMES COUNTY, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016**

The County's total legal debt margin was \$18,770,740 at December 31, 2016 and the unvoted legal debt margin was \$5,886,192. See Note 10 in the notes to the basic financial statements for detail on governmental activities and business-type activities long-term obligations.

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

The County's population as of the 2010 census was 42,366, and the population estimate for 2016 is 43,909. At the end of 2016, the seasonally adjusted unemployment rate for the County was 3.2%, compared to the 4.8% State average and the 5.0% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2017. Budgeted revenues and other financing sources in the general fund for 2016 were \$11,615,377. 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, 2016**

	<u>Primary Government</u>			<u>Component Units</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Lynn Hope Industries, Inc.</u>	<u>Holmes County Airport Authority</u>	<u>Regional Planning Commission</u>
<b>Assets:</b>						
Equity in pooled cash and cash equivalents . . .	\$ 19,739,187	\$ 822,909	\$ 20,562,096	\$ -	\$ -	\$ 115,585
Cash and cash equivalents in segregated accounts . . . . .	322,583	-	322,583	441,599	21,923	-
Receivables:						
Sales taxes . . . . .	2,047,296	-	2,047,296	-	-	-
Real and other taxes . . . . .	6,522,631	-	6,522,631	-	-	-
Accounts . . . . .	167,243	97,916	265,159	24,987	858	500
Accrued interest . . . . .	14,618	-	14,618	-	-	-
Due from other governments . . . . .	4,436,202	-	4,436,202	-	2,567	-
Materials and supplies inventory . . . . .	358,837	110	358,947	-	-	1,061
Prepayments . . . . .	97,047	-	97,047	-	1,554	-
Net pension asset . . . . .	31,295	216	31,511	-	-	371
Capital assets:						
Land and construction in progress . . . . .	1,652,028	564,458	2,216,486	-	884,064	-
Depreciable capital assets, net . . . . .	30,870,485	11,747,067	42,617,552	34,573	5,697,534	-
Total capital assets, net . . . . .	32,522,513	12,311,525	44,834,038	34,573	6,581,598	-
Total assets . . . . .	66,259,452	13,232,676	79,492,128	501,159	6,608,500	117,517
<b>Deferred outflows of resources:</b>						
Pension - OPERS . . . . .	5,858,230	40,466	5,898,696	-	-	69,519
Pension - STRS . . . . .	278,551	-	278,551	-	-	-
Total deferred outflows of resources . . . . .	6,136,781	40,466	6,177,247	-	-	69,519
Total assets and deferred outflows of resources . .	72,396,233	13,273,142	85,669,375	501,159	6,608,500	187,036
<b>Liabilities:</b>						
Accounts payable . . . . .	516,372	50,766	567,138	288	-	-
Retainage payable . . . . .	-	-	-	-	15,000	-
Accrued wages and benefits payable . . . . .	375,059	2,034	377,093	-	-	3,522
Compensated absences payable . . . . .	-	-	-	-	-	11,810
Due to other governments . . . . .	124,910	12,347	137,257	-	-	544
Other accrued expenses . . . . .	-	-	-	420	-	-
Accrued interest payable . . . . .	12,970	59,361	72,331	-	-	-
Unearned revenue . . . . .	-	-	-	-	12,015	-
Long-term liabilities:						
Due within one year . . . . .	1,176,751	198,378	1,375,129	14,403	-	-
Due in more than one year:						
Net pension liability . . . . .	16,904,415	106,202	17,010,617	-	-	182,449
Other amounts due in more than one year .	6,055,850	6,042,744	12,098,594	25,661	-	-
Total liabilities . . . . .	25,166,327	6,471,832	31,638,159	40,772	27,015	198,325
<b>Deferred inflows of resources:</b>						
Property taxes levied for the next fiscal year . .	6,300,500	-	6,300,500	-	-	-
Pension - OPERS . . . . .	469,610	3,244	472,854	-	-	5,573
Pension - STRS . . . . .	30,910	-	30,910	-	-	-
Total deferred inflows of resources . . . . .	6,801,020	3,244	6,804,264	-	-	5,573
Total liabilities and deferred inflows of resources .	31,967,347	6,475,076	38,442,423	40,772	27,015	203,898
<b>Net position:</b>						
Net investment in capital assets . . . . .	30,983,079	6,075,369	37,058,448	-	6,566,597	-
Restricted for:						
Capital projects . . . . .	920,376	-	920,376	-	-	-
Debt service . . . . .	95,723	-	95,723	-	-	-
Public works projects . . . . .	2,589,939	-	2,589,939	-	-	-
Public safety programs . . . . .	1,086,356	-	1,086,356	-	-	-
Human services programs . . . . .	4,721,717	-	4,721,717	-	-	-
Real estate assessment . . . . .	893,439	-	893,439	-	-	-
Court special projects . . . . .	155,128	-	155,128	-	-	-
Other purposes . . . . .	329,402	-	329,402	-	-	-
Unrestricted (deficit) . . . . .	(1,346,273)	722,697	(623,576)	460,387	14,888	(16,862)
Total net position (deficit) . . . . .	\$ 40,428,886	\$ 6,798,066	\$ 47,226,952	\$ 460,387	\$ 6,581,485	\$ (16,862)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 8,114,437	\$ 3,111,128	\$ 319,372	\$ -
Judicial. . . . .	2,158,711	413,534	61,565	-
Public safety . . . . .	5,299,354	831,635	418,163	-
Public works . . . . .	7,080,091	627,454	4,712,216	1,320,595
Health. . . . .	419,858	190,878	3,023	-
Human services . . . . .	13,393,354	2,018,020	6,203,409	35,722
Conservation and recreation . . . . .	481,570	-	-	-
Interest and fiscal charges . . . . .	161,311	122,808	-	-
Total governmental activities. . . . .	<u>37,108,686</u>	<u>7,315,457</u>	<u>11,717,748</u>	<u>1,356,317</u>
<b>Business-type activities:</b>				
Sewer District. . . . .	1,586,992	1,313,449	-	702,189
Total business-type activities . . . . .	<u>1,586,992</u>	<u>1,313,449</u>	<u>-</u>	<u>702,189</u>
Total primary government . . . . .	<u>\$ 38,695,678</u>	<u>\$ 8,628,906</u>	<u>\$ 11,717,748</u>	<u>\$ 2,058,506</u>
<b>Component Units:</b>				
Lynn Hope Industries, Inc. . . . .	\$ 582,141	\$ 229,417	\$ 451,123	\$ -
Holmes County Airport Authority . . . . .	231,914	104,563	-	889,439
Regional Planning Commission. . . . .	184,376	56,669	134,001	-
Total component units . . . . .	<u>\$ 998,431</u>	<u>\$ 390,649</u>	<u>\$ 585,124</u>	<u>\$ 889,439</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. . . . .

Special items . . . . .

Transfers . . . . .

Total general revenues, transfers, and special items . . . . .

Change in net position . . . . .

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

**Net position (deficit) at end of year . . . . .**



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

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Lynn Hope Industries, Inc.	Holmes County Airport Authority	Regional Planning Commission
\$ (4,683,937)	\$ -	\$ (4,683,937)	\$ -	\$ -	\$ -
(1,683,612)	-	(1,683,612)	-	-	-
(4,049,556)	-	(4,049,556)	-	-	-
(419,826)	-	(419,826)	-	-	-
(225,957)	-	(225,957)	-	-	-
(5,136,203)	-	(5,136,203)	-	-	-
(481,570)	-	(481,570)	-	-	-
(38,503)	-	(38,503)	-	-	-
(16,719,164)	-	(16,719,164)	-	-	-
-	428,646	428,646	-	-	-
-	428,646	428,646	-	-	-
(16,719,164)	428,646	(16,290,518)	-	-	-
-	-	-	98,399	-	-
-	-	-	-	762,088	-
-	-	-	-	-	6,294
-	-	-	98,399	762,088	6,294
2,609,312	-	2,609,312	-	-	-
2,902,875	-	2,902,875	-	-	-
921,563	-	921,563	-	-	-
7,561,526	-	7,561,526	-	-	-
1,844,455	-	1,844,455	-	-	-
174,519	-	174,519	1,952	39	-
201,572	67,709	269,281	30,000	96	-
16,215,822	67,709	16,283,531	31,952	135	-
-	(12,114,776)	(12,114,776)	-	-	-
6,758,760	(6,758,760)	-	-	-	-
22,974,582	(18,805,827)	4,168,755	31,952	135	-
6,255,418	(18,377,181)	(12,121,763)	130,351	762,223	6,294
34,173,468	25,175,247	59,348,715	330,036	5,819,262	(23,156)
\$ 40,428,886	\$ 6,798,066	\$ 47,226,952	\$ 460,387	\$ 6,581,485	\$ (16,862)

HOLMES COUNTY, OHIO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	General	County Board of DD	Motor Vehicle License and Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 6,748,327	\$ 1,943,148	\$ 1,244,225	\$ 9,803,487	\$ 19,739,187
Cash and cash equivalents in segregated accounts . . .	-	305,742	-	16,841	322,583
Receivables (net of allowance for uncollectibles):					
Sales taxes . . . . .	1,917,999	-	-	129,297	2,047,296
Real and other taxes . . . . .	2,507,778	3,156,780	-	858,073	6,522,631
Accounts . . . . .	26,529	11,627	359	128,728	167,243
Accrued interest . . . . .	14,618	-	-	-	14,618
Due from other funds . . . . .	427,646	-	-	-	427,646
Due from other governments . . . . .	621,227	50,407	2,276,674	1,487,894	4,436,202
Prepayments . . . . .	75,700	4,558	3,264	13,525	97,047
Materials and supplies inventory . . . . .	46,030	11,001	281,415	20,391	358,837
<b>Total assets . . . . .</b>	<b><u>\$ 12,385,854</u></b>	<b><u>\$ 5,483,263</u></b>	<b><u>\$ 3,805,937</u></b>	<b><u>\$ 12,458,236</u></b>	<b><u>\$ 34,133,290</u></b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 126,514	\$ 72,004	\$ 62,483	\$ 255,371	\$ 516,372
Accrued wages and benefits payable . . . . .	143,948	76,892	44,065	110,154	375,059
Compensated absences payable . . . . .	-	-	8,993	-	8,993
Due to other funds . . . . .	-	-	-	427,646	427,646
Due to other governments . . . . .	26,384	13,893	5,800	78,833	124,910
<b>Total liabilities . . . . .</b>	<b><u>296,846</u></b>	<b><u>162,789</u></b>	<b><u>121,341</u></b>	<b><u>872,004</u></b>	<b><u>1,452,980</u></b>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year . . . . .	2,450,000	3,019,000	-	831,500	6,300,500
Delinquent property tax revenue not available . . . . .	57,778	137,780	-	26,573	222,131
Sales tax revenue not available . . . . .	1,270,021	-	-	86,198	1,356,219
Intergovernmental revenue not available . . . . .	350,037	50,407	1,975,737	352,932	2,729,113
Other revenue not available . . . . .	511	101	-	132	744
<b>Total deferred inflows of resources . . . . .</b>	<b><u>4,128,347</u></b>	<b><u>3,207,288</u></b>	<b><u>1,975,737</u></b>	<b><u>1,297,335</u></b>	<b><u>10,608,707</u></b>
<b>Fund balances:</b>					
Nonspendable . . . . .	191,402	15,559	284,679	33,916	525,556
Restricted . . . . .	-	2,097,627	1,424,180	9,930,820	13,452,627
Committed . . . . .	577,727	-	-	493,161	1,070,888
Assigned . . . . .	1,641,785	-	-	-	1,641,785
Unassigned (deficit) . . . . .	5,549,747	-	-	(169,000)	5,380,747
<b>Total fund balances . . . . .</b>	<b><u>7,960,661</u></b>	<b><u>2,113,186</u></b>	<b><u>1,708,859</u></b>	<b><u>10,288,897</u></b>	<b><u>22,071,603</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances . . . . .</b>	<b><u>\$ 12,385,854</u></b>	<b><u>\$ 5,483,263</u></b>	<b><u>\$ 3,805,937</u></b>	<b><u>\$ 12,458,236</u></b>	<b><u>\$ 34,133,290</u></b>

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, 2016

<b>Total governmental fund balances</b>	\$	22,071,603
<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.		32,522,513
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.		
Sales taxes receivable	\$ 1,356,219	
Real and other taxes receivable	222,131	
Intergovernmental receivable	2,729,113	
Accounts receivable	744	
Total	4,308,207	4,308,207
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(3,785,000)	
Landfill closure and postclosure care liability	(2,019,261)	
Capital lease payable	(73,856)	
Compensated absences payable	(1,264,247)	
Accrued interest payable	(12,970)	
Total	(7,155,334)	(7,155,334)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Net pension asset	31,295	
Deferred outflows of resources	6,136,781	
Deferred inflows of resources	(500,520)	
Net pension liability	(16,904,415)	
Total	(11,236,859)	(11,236,859)
Unamortized premiums on bond issuances are not recognized in the governmental funds.		(81,244)
<b>Net position of governmental activities</b>	<b>\$</b>	<b>40,428,886</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOLMES COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>County Board of DD</u>	<u>Motor Vehicle License and Gas Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Sales taxes. . . . .	\$ 7,018,118	\$ -	\$ -	\$ 517,222	\$ 7,535,340
Real and other taxes. . . . .	2,618,221	2,924,130	-	925,669	6,468,020
Charges for services. . . . .	2,432,849	223,941	127,126	3,065,764	5,849,680
Licenses and permits . . . . .	5,363	-	-	311,110	316,473
Fines and forfeitures . . . . .	95,659	-	33,057	219,332	348,048
Intergovernmental. . . . .	1,553,656	2,266,285	5,225,246	5,386,530	14,431,717
Investment income. . . . .	174,519	842	518	3,082	178,961
Rental income . . . . .	9,201	-	-	137,799	147,000
Contributions and donations. . . . .	-	809	218,574	10,615	229,998
Other . . . . .	201,068	202,963	52,251	399,504	855,786
Total revenues . . . . .	<u>14,108,654</u>	<u>5,618,970</u>	<u>5,656,772</u>	<u>10,976,627</u>	<u>36,361,023</u>
<b>Expenditures:</b>					
Current:					
General government:					
Legislative and executive . . . . .	6,156,959	-	-	1,508,617	7,665,576
Judicial. . . . .	1,892,125	-	-	223,457	2,115,582
Public safety . . . . .	4,295,119	-	-	735,586	5,030,705
Public works . . . . .	-	-	5,820,561	145,338	5,965,899
Health . . . . .	92,425	-	-	224,334	316,759
Human services. . . . .	581,020	5,530,009	-	6,715,713	12,826,742
Conservation and recreation . . . . .	481,570	-	-	-	481,570
Capital outlay . . . . .	-	-	-	1,577,548	1,577,548
Debt service:					
Principal retirement. . . . .	1,968	19,423	-	292,135	313,526
Interest and fiscal charges . . . . .	410	2,624	-	162,937	165,971
Total expenditures . . . . .	<u>13,501,596</u>	<u>5,552,056</u>	<u>5,820,561</u>	<u>11,585,665</u>	<u>36,459,878</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>607,058</u>	<u>66,914</u>	<u>(163,789)</u>	<u>(609,038)</u>	<u>(98,855)</u>
<b>Other financing sources (uses):</b>					
Sale of capital assets. . . . .	19,841	-	67	-	19,908
Transfers in . . . . .	-	2,335	-	1,116,307	1,118,642
Transfers (out). . . . .	(652,657)	(150,000)	-	(315,985)	(1,118,642)
Total other financing sources (uses) . . . . .	<u>(632,816)</u>	<u>(147,665)</u>	<u>67</u>	<u>800,322</u>	<u>19,908</u>
Net change in fund balances . . . . .	(25,758)	(80,751)	(163,722)	191,284	(78,947)
<b>Fund balances at beginning of year . . . . .</b>	<u>7,986,419</u>	<u>2,193,937</u>	<u>1,872,581</u>	<u>10,097,613</u>	<u>22,150,550</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 7,960,661</u>	<u>\$ 2,113,186</u>	<u>\$ 1,708,859</u>	<u>\$ 10,288,897</u>	<u>\$ 22,071,603</u>

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, 2016

<b>Net change in fund balances - total governmental funds</b>		\$ (78,947)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital asset additions	\$ 8,573,978	
Current year depreciation	<u>(1,987,250)</u>	
Total		6,586,728
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. The County received \$31,722 in capital contributions.		
		(14,069)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes	26,184	
Real and other taxes	(34,270)	
Intergovernmental revenues	220,110	
Other revenues	<u>575</u>	
Total		212,599
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.		
		313,526
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in decreased interest reported in the statement of activities:		
Decrease in accrued interest payable	488	
Amortization of bond premiums	<u>4,172</u>	
Total		4,660
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,361,740
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		
		(2,085,559)
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	(99,651)	
Landfill closure and postclosure care liability	<u>54,391</u>	
Total		<u>(45,260)</u>
<b>Change in net position of governmental activities</b>		<u>\$ 6,255,418</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)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Sales taxes . . . . .	\$ 5,000,000	\$ 5,000,000	\$ 6,999,572	\$ 1,999,572
Real and other taxes. . . . .	2,460,000	2,460,000	2,632,727	172,727
Charges for services. . . . .	1,083,750	1,278,608	1,526,944	248,336
Licenses and permits . . . . .	143,980	143,980	5,363	(138,617)
Fines and forfeitures . . . . .	87,500	87,500	90,007	2,507
Intergovernmental. . . . .	1,952,269	2,446,607	1,444,867	(1,001,740)
Investment income. . . . .	125,000	125,000	160,749	35,749
Rental income . . . . .	550	550	787	237
Other . . . . .	58,500	63,799	200,699	136,900
<b>Total revenues . . . . .</b>	<u>10,911,549</u>	<u>11,606,044</u>	<u>13,061,715</u>	<u>1,455,671</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	8,170,968	8,395,413	7,526,113	869,300
Judicial. . . . .	1,563,301	1,657,317	1,458,614	198,703
Public safety . . . . .	2,743,248	2,892,161	2,873,879	18,282
Health . . . . .	93,000	93,100	92,425	675
Human services. . . . .	446,873	446,873	328,337	118,536
Conservation and recreation . . . . .	382,000	482,000	481,570	430
<b>Total expenditures . . . . .</b>	<u>13,399,390</u>	<u>13,966,864</u>	<u>12,760,938</u>	<u>1,205,926</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(2,487,841)</u>	<u>(2,360,820)</u>	<u>300,777</u>	<u>2,661,597</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	1,000	9,333	19,841	10,508
Transfers (out). . . . .	<u>(810,074)</u>	<u>(973,684)</u>	<u>(873,684)</u>	<u>100,000</u>
<b>Total other financing sources (uses) . . . . .</b>	<u>(809,074)</u>	<u>(964,351)</u>	<u>(853,843)</u>	<u>110,508</u>
Net change in fund balances . . . . .	(3,296,915)	(3,325,171)	(553,066)	2,772,105
<b>Fund balances at beginning of year . . . . .</b>	6,313,923	6,313,923	6,313,923	-
<b>Prior year encumbrances appropriated . . . . .</b>	38,771	38,771	38,771	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 3,055,779</u>	<u>\$ 3,027,523</u>	<u>\$ 5,799,628</u>	<u>\$ 2,772,105</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, 2016

	<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. . . . .	\$ 2,881,367	\$ 2,881,367	\$ 2,958,945	\$ 77,578
Charges for services. . . . .	300,270	300,270	302,997	2,727
Intergovernmental. . . . .	2,129,359	2,130,092	2,266,285	136,193
Investment income. . . . .	850	850	842	(8)
Contributions and donations. . . . .	600	600	809	209
Other . . . . .	146,080	146,130	200,156	54,026
<b>Total revenues . . . . .</b>	<u>5,458,526</u>	<u>5,459,309</u>	<u>5,730,034</u>	<u>270,725</u>
<b>Expenditures:</b>				
Current:				
Human services. . . . .	6,228,275	6,238,095	5,461,887	776,208
<b>Total expenditures . . . . .</b>	<u>6,228,275</u>	<u>6,238,095</u>	<u>5,461,887</u>	<u>776,208</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(769,749)</u>	<u>(778,786)</u>	<u>268,147</u>	<u>1,046,933</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	396,402	396,402	2,335	(394,067)
Transfers (out) . . . . .	(426,080)	(580,000)	(150,000)	430,000
<b>Total other financing sources (uses) . . . . .</b>	<u>(29,678)</u>	<u>(183,598)</u>	<u>(147,665)</u>	<u>35,933</u>
Net change in fund balances. . . . .	(799,427)	(962,384)	120,482	1,082,866
<b>Fund balances at beginning of year . . . . .</b>	<u>1,700,851</u>	<u>1,700,851</u>	<u>1,700,851</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 901,424</u>	<u>\$ 738,467</u>	<u>\$ 1,821,333</u>	<u>\$ 1,082,866</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, 2016

	<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	\$ 127,126	\$ (62,874)
Fines and forfeitures . . . . .	25,000	25,000	34,535	9,535
Intergovernmental. . . . .	4,923,313	5,443,077	5,189,216	(253,861)
Investment income. . . . .	2,000	2,000	518	(1,482)
Contributions and donations. . . . .	87,000	218,000	218,574	574
Other . . . . .	26,000	43,197	52,251	9,054
<b>Total revenues . . . . .</b>	<u>5,253,313</u>	<u>5,921,274</u>	<u>5,622,220</u>	<u>(299,054)</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	5,563,313	6,967,274	5,414,699	1,552,575
<b>Total expenditures . . . . .</b>	<u>5,563,313</u>	<u>6,967,274</u>	<u>5,414,699</u>	<u>1,552,575</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(310,000)</u>	<u>(1,046,000)</u>	<u>207,521</u>	<u>1,253,521</u>
<b>Other financing sources:</b>				
Sale of capital assets. . . . .	10,000	10,000	67	(9,933)
<b>Total other financing sources . . . . .</b>	<u>10,000</u>	<u>10,000</u>	<u>67</u>	<u>(9,933)</u>
Net change in fund balances . . . . .	(300,000)	(1,036,000)	207,588	1,243,588
<b>Fund balances at beginning of year . . . . .</b>	<u>1,036,637</u>	<u>1,036,637</u>	<u>1,036,637</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 736,637</u>	<u>\$ 637</u>	<u>\$ 1,244,225</u>	<u>\$ 1,243,588</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**HOLMES COUNTY, OHIO**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2016**

	<b>Business-type Activities - Enterprise Funds</b>
	<b>Sewer District</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 822,909
Receivables (net of allowance for uncollectibles):	
Accounts . . . . .	97,916
Materials and supplies inventory . . . . .	110
Total current assets . . . . .	920,935
Noncurrent assets:	
Net pension asset . . . . .	216
Capital assets:	
Land and construction in progress . . . . .	564,458
Depreciable capital assets, net. . . . .	11,747,067
Total capital assets, net. . . . .	12,311,525
Total noncurrent assets . . . . .	12,311,741
Total assets . . . . .	13,232,676
<b>Deferred outflows of resources:</b>	
Pension - OPERS . . . . .	40,466
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable . . . . .	50,766
Accrued wages and benefits payable. . . . .	2,034
Due to other governments . . . . .	12,347
Accrued interest payable . . . . .	59,361
Current portion of compensated absences payable. . . . .	4,228
Current portion of general obligation bonds payable. . . . .	75,000
Current portion of OPWC loans payable. . . . .	79,150
Current portion of USDA loans payable . . . . .	40,000
Total current liabilities. . . . .	322,886
Long-term liabilities:	
Compensated absences payable. . . . .	738
General obligation bonds payable . . . . .	1,957,988
OPWC loans payable. . . . .	1,716,018
USDA loans payable . . . . .	2,368,000
Net pension liability . . . . .	106,202
Total long-term liabilities . . . . .	6,148,946
Total liabilities . . . . .	6,471,832
<b>Deferred inflows of resources:</b>	
Pension - OPERS . . . . .	3,244
<b>Net position:</b>	
Net investment in capital assets. . . . .	6,075,369
Unrestricted . . . . .	722,697
Total net position . . . . .	\$ 6,798,066

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, 2016

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer District</b>	<b>Joel Pomerene Memorial Hospital</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 1,313,449	\$ -	\$ 1,313,449
Other operating revenues . . . . .	67,709	-	67,709
Total operating revenues. . . . .	1,381,158	-	1,381,158
<b>Operating expenses:</b>			
Personal services . . . . .	100,680	-	100,680
Contract services . . . . .	794,539	-	794,539
Materials and supplies. . . . .	81,628	-	81,628
Depreciation. . . . .	459,002	-	459,002
Other . . . . .	283	-	283
Total operating expenses. . . . .	1,436,132	-	1,436,132
Operating loss . . . . .	(54,974)	-	(54,974)
<b>Nonoperating expenses:</b>			
Interest and fiscal charges . . . . .	(150,860)	-	(150,860)
Total nonoperating revenues expenses . . . . .	(150,860)	-	(150,860)
Loss before contributions, losses and special items . . . . .	(205,834)	-	(205,834)
Special item - transfer of operations . . . . .	-	(12,114,776)	(12,114,776)
Loss on disposal of asset . . . . .	-	(6,758,760)	(6,758,760)
Capital contributions. . . . .	702,189	-	702,189
Change in net position . . . . .	496,355	(18,873,536)	(18,377,181)
<b>Net position at beginning of year . . . . .</b>	<b>6,301,711</b>	<b>18,873,536</b>	<b>25,175,247</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 6,798,066</b>	<b>\$ -</b>	<b>\$ 6,798,066</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer District</b>	<b>Joel Pomerene Memorial Hospital</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from sales/charges for services . . . . .	\$ 1,308,223	\$ -	\$ 1,308,223
Cash received from other operations . . . . .	67,709	-	67,709
Cash payments for personal services . . . . .	(93,916)	-	(93,916)
Cash payments for contractual services . . . . .	(756,718)	-	(756,718)
Cash payments for materials and supplies . . . . .	(87,820)	-	(87,820)
Cash payments for other expenses . . . . .	(283)	-	(283)
Net cash provided by operating activities . . . . .	<u>437,195</u>	<u>-</u>	<u>437,195</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash used in transfer of operations . . . . .	-	(10,961,389)	(10,961,389)
Net cash used in noncapital financing activities . . . . .	<u>-</u>	<u>(10,961,389)</u>	<u>(10,961,389)</u>
<b>Cash flows from capital and related financing activities:</b>			
Capital contributions . . . . .	702,189	-	702,189
Acquisition of capital assets . . . . .	(741,200)	-	(741,200)
Principal payments on bonds, notes and loans . . . . .	(193,149)	-	(193,149)
Interest payments on bonds, notes and loans . . . . .	(152,582)	-	(152,582)
Net cash used in capital and related financing activities . . . . .	<u>(384,742)</u>	<u>-</u>	<u>(384,742)</u>
Net increase (decrease) in cash and cash equivalents . . . . .	52,453	(10,961,389)	(10,908,936)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>770,456</u>	<u>10,961,389</u>	<u>11,731,845</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 822,909</u>	<u>\$ -</u>	<u>\$ 822,909</u>

HOLMES COUNTY, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer District</b>	<b>Joel Pomerene Memorial Hospital</b>	<b>Total</b>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating loss . . . . .	\$ (54,974)	\$ -	\$ (54,974)
Adjustments:			
Depreciation. . . . .	459,002	-	459,002
Changes in assets, deferred outflows, liabilities, and deferred inflows:			
Accounts receivable . . . . .	(5,226)	-	(5,226)
Materials and supplies inventory . . . . .	24	-	24
Net pension asset . . . . .	(44)	-	(44)
Deferred outflows of resources - pension . . . . .	(28,070)	-	(28,070)
Accounts payable . . . . .	20,932	-	20,932
Accrued wages and benefits . . . . .	348	-	348
Due to other governments . . . . .	9,936	-	9,936
Compensated absences payable . . . . .	381	-	381
Net pension liability . . . . .	33,325	-	33,325
Deferred inflows of resources - pension . . . . .	1,561	-	1,561
Net cash provided by operating activities . . . . .	<u>\$ 437,195</u>	<u>\$ -</u>	<u>\$ 437,195</u>

**Non-cash transactions:**

At December 31, 2016, the Sewer District fund had \$15,783 in capital assets purchased on account.

The Joel Pomerene Memorial Hospital transferred capital assets, with a carrying value of \$6,758,760, to governmental activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
DECEMBER 31, 2016

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 6,278,470
Cash and cash equivalents in segregated accounts. . . . .	989,776
Receivables:	
Real and other taxes. . . . .	34,230,992
Accounts . . . . .	364,010
Due from other governments . . . . .	<u>1,479,578</u>
Total assets. . . . .	<u>\$ 43,342,826</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 122,355
Accrued wages and benefits . . . . .	6,750
Due to other governments . . . . .	781,370
Undistributed monies. . . . .	<u>42,432,351</u>
Total liabilities . . . . .	<u>\$ 43,342,826</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### NOTE 1 - DESCRIPTION OF THE COUNTY

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

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

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

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

##### A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County.

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

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

*DISCRETELY PRESENTED COMPONENT UNITS*

*Holmes County Regional Planning Commission (Commission)*

The Commission is governed by an eleven member Board, of which seven are appointed by the County. The 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, 2 Court St. Suite 21, Millersburg, Ohio 44654.

*Holmes County Airport Authority (Airport Authority)*

The Airport Authority Board consists of seven members which are appointed by the County Commissioners of Holmes County. The 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 21, 22 and 23.

*POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS*

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

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

*JOINT VENTURE WITHOUT EQUITY INTEREST*

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

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

The mission of the Council is to promote and facilitate collaboration among community agencies serving children and their families and to unite the community in promoting the well-being of children and their families through leadership advocacy, and coordination of services. The Board of Trustees is made up of 18 individuals from various organizations including five from the County. The County paid \$4,234 to the Council during 2016.

*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 2016, the County paid \$33,946 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. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.



## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### 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 2016 was \$159,759.

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 received \$100,000 from the County in 2016 for bookmobile support.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Holmes County Park District (District)

The District provides conservation and recreation programs for the benefit of the County's citizens. The three Park District Commissioners are appointed by the Probate Judge of the County. The District hires and fires its own staff, and does not rely on the County to finance deficits. The County is not financially accountable for the District. The District serves as its own taxing and debt issuance authority. The District receives .15 inside mills of real estate taxes for operation.

**B. Fund Accounting**

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

**Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. Governmental fund assets less liabilities and deferred inflows of resources is reported as fund balance.

The following are the County's major governmental funds:

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

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

Motor vehicle license and gas tax - This fund accounts for revenues derived from motor vehicle licenses, and gasoline taxes. Expenditures are restricted by State law to County road and bridge repair and maintenance programs.

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### 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 fund:

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

Joel Pomerene Memorial Hospital - This fund accounts for the operations of the Hospital and the Joel Pomerene Foundation ("Foundation"). Effective January 1, 2016 the Hospital transferred operations to the Foundation. See Note 24 for additional disclosure.

**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, 2016**

**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 and deferred outflows of resources, and current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the County's proprietary funds are charges for services and fees. Operating expenses for the enterprise fund include personnel and other expenses related to 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 of resources, and in the presentation of expenses versus expenditures.

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

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County unavailable revenue includes, but is not limited to, delinquent property taxes, sales taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The County also reports deferred inflow of resources related to the County's net pension liability. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

**E. Budgetary Data**

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

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

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

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 2016.

***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 2016 are included in the final budget amounts in the budget-to-actual comparisons.

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

##### **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.

During 2016, investments were limited to certificates of deposit. 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 2016 amounted to \$174,519 which includes \$148,816 assigned from other County funds.

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

##### **G. Inventories of Materials and Supplies**

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

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

##### **H. Capital Assets**

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

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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 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 2016, the net interest expense incurred on proprietary fund construction projects was not material.

**I. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2016, 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.



**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2016, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

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

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

**J. Prepayments**

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepayments using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**K. Accrued Liabilities and Long-term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences, the net pension liability and claims and judgements that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**L. Interfund Transactions**

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

During the normal course of operations, the County has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the County are treated similarly when involving other funds of the County.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

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

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

*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.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

##### **N. Estimates**

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

##### **O. Net Position**

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

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

##### **P. 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.

##### **Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County Commissioners and that are either unusual in nature or infrequent in occurrence. The County recognized a special item for 2016. More information on this event can be found in 2016 related to the transfer of operations of the Joel Pomerene Memorial Hospital. See Note 24 for additional disclosure.

##### **R. Pensions**

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

##### A. Change in Accounting Principles

For 2016, the County has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the County.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the County.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the County.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. See Note 26 for disclosure of the County's tax abatement agreements. There was no effect on beginning net position or fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the County.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

The County incorporated the corresponding GASB 79 guidance into its 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**B. Deficit Fund Balances**

Fund balances at December 31, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Provia project fund	\$ 169,000

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Inactive monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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.

#### A. Unrecorded Cash

At year end, the County had \$10,840 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 \$140,956 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents".

#### C. Deposits with Financial Institutions

At December 31, 2016, the carrying amount of all County deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$28,116,714. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, \$23,785,251 of the County's bank balance of \$28,238,511 was exposed to custodial risk as discussed below, while \$4,453,260 was covered by the FDIC.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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. 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, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 28,116,714
Unrecorded cash	10,840
Cash on hand	<u>140,956</u>
Total	<u>\$ 28,268,510</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 20,061,770
Business-type activities	822,909
Component unit*	115,585
Agency	<u>7,268,246</u>
Total	<u>\$ 28,268,510</u>

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

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 652,657
<u>Transfers from nonmajor governmental funds to:</u>	
County Board of DD fund	2,335
Nonmajor governmental funds	313,650
<u>Transfer from County Board of DD fund to:</u>	
Nonmajor governmental funds	<u>150,000</u>
Total	<u>\$ 1,118,642</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 \$150,000 to the Board of DD capital projects fund (a nonmajor governmental fund) for the purpose of funding capital improvements. Transfers between nonmajor governmental funds included \$152,362 from the public assistance fund to children's services fund, respectively, for the purpose of funding required local contributions, and \$163,623 from the solid waste district fund to the landfill closure debt service fund to provide resources for a required debt payment.

Effective January 1, 2016, operations of the Joel Pomerene Memorial Hospital were transferred to the Pomerene Foundation. This transfer of operations resulted in a transfer of capital assets to be moved from business-type activities to governmental type activities in the amount of \$6,758,760.

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

- B. Due to/from other funds at December 31, 2016, as reported on the fund financial statements, consisted of \$2,156 due from the victim's advocacy fund (a nonmajor governmental fund) to the general fund and \$425,490 due from the Provia project (a nonmajor governmental fund) to the general fund. This due to/from other funds represents amounts owed between funds to cover negative cash balances. Amounts due to/from other funds between governmental funds are eliminated for reporting on the statement of net position.



## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### 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. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 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, 2016 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2017 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue.

The full tax rate for all County operations for the year ended December 31, 2016 was \$12.70 per \$1,000 of assessed value. The total assessed value of real property upon which 2016 property tax receipts were based was \$958,969,890.

#### NOTE 7 - RECEIVABLES

Receivables at December 31, 2016, consisted of taxes, interest, accounts (billings for user charged services and other fees), interfund receivables, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the balance sheet and statement of net position and all interfund receivables have been classified as "due to/from other funds" on the balance sheet and statement of net position. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

##### A. Permissive Sales and Use Tax

In 1979, the County Commissioners by resolution imposed a one-half percent tax on all retail sales, made in the County, except sales of motor vehicles, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within the forty-five days after the end of each month. The Office of Budget and Management then has five days in which to draw the warrant payable to the County.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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 2016, 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 2016 amounted to \$7,535,340 as reported on the fund financial statements.

**B. Intergovernmental**

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

<u>General fund</u>	<u>Amount</u>
Homestead and rollback	\$ 153,723
Local government	225,000
Casino taxes	232,980
Other	9,524
Total	<u>621,227</u>
<u>County Board of DD</u>	
Homestead and rollback	<u>50,407</u>
Total	<u>50,407</u>
<u>Motor vehicle license and gas tax</u>	
Gasoline excise and motor vehicle license tax	2,084,802
Grants	<u>191,872</u>
Total	<u>2,276,674</u>

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**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

	<u>Amount (continued)</u>
<u>Nonmajor governmental funds</u>	
Public assistance	\$ 670,192
Child support enforcement	169,538
Sheriff overtime grant	3,716
Federal equitable sharing	6
Provia project	425,490
State victims assistance grant	9,872
County home	145,142
Office of criminal justice	2,451
Children services	<u>61,487</u>
 Total nonmajor governmental funds	 <u>1,487,894</u>
 Total governmental funds	 \$ <u>4,436,202</u>
 <u>Agency funds</u>	
Soil and water conservation	
County public library	\$ 556,570
Gasoline and license tax	745,913
Undivided local government	150,000
Health district	20,000
Park district	<u>7,095</u>
 Total agency funds	 \$ <u>1,479,578</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016, was as follows:

<b><u>Governmental activities:</u></b>	Balance 12/31/2015	Additions	Deductions	Balance 12/31/2016
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,037,408	\$ 614,620	\$ -	\$ 1,652,028
Construction in progress	<u>314,360</u>	<u>776,877</u>	<u>(1,091,237)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,351,768</u>	<u>1,391,497</u>	<u>(1,091,237)</u>	<u>1,652,028</u>
<i>Capital assets, being depreciated:</i>				
Buildings	17,892,385	6,239,890	-	24,132,275
Improvements other than buildings	185,780	225,318	-	411,098
Machinery and equipment	4,983,800	424,994	(17,664)	5,391,130
Vehicles	5,844,610	233,054	(172,590)	5,905,074
Infrastructure	<u>30,533,290</u>	<u>1,150,462</u>	<u>-</u>	<u>31,683,752</u>
Total capital assets, being depreciated	<u>59,439,865</u>	<u>8,273,718</u>	<u>(190,254)</u>	<u>67,523,329</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(11,661,024)	(565,024)	-	(12,226,048)
Improvements other than buildings	(108,845)	(15,049)	-	(123,894)
Machinery and equipment	(3,529,376)	(218,637)	15,414	(3,732,599)
Vehicles	(3,582,575)	(424,790)	160,771	(3,846,594)
Infrastructure	<u>(15,959,959)</u>	<u>(763,750)</u>	<u>-</u>	<u>(16,723,709)</u>
Total accumulated depreciation	<u>(34,841,779)</u>	<u>(1,987,250)</u>	<u>176,185</u>	<u>(36,652,844)</u>
Total capital assets, being depreciated net	<u>24,598,086</u>	<u>6,286,468</u>	<u>(14,069)</u>	<u>30,870,485</u>
Governmental activities capital assets, net	<u>\$ 25,949,854</u>	<u>\$ 7,677,965</u>	<u>\$ (1,105,306)</u>	<u>\$ 32,522,513</u>

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

<b><u>Governmental activities:</u></b>	
Legislative and executive	\$ 126,212
Judicial	33,707
Public safety	244,763
Public works	1,048,456
Health	127,337
Human services	<u>406,775</u>
Total depreciation expense - governmental activities	<u>\$ 1,987,250</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

	Balance 12/31/2015	Additions	Deductions/ Transfers	Balance 12/31/2016
<b><u>Business-type activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 730,490	\$ -	\$ (631,987)	\$ 98,503
Construction in progress	-	465,955	-	465,955
Total capital assets, not being depreciated	730,490	465,955	(631,987)	564,458
<i>Capital assets, being depreciated:</i>				
Land improvement	805,961	-	(805,961)	-
Buildings and improvements	8,972,933	75,340	-	9,048,273
Equipment and machinery	983,297	6,000	-	989,297
Sewer/water lines	7,109,681	193,905	-	7,303,586
Building and fixed equipment	19,038,749	-	(19,038,749)	-
Moveable equipment	15,174,424	-	(15,174,424)	-
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	52,876,566	275,245	(35,810,655)	17,341,156
<i>Less: accumulated depreciation:</i>				
Land improvements	(749,265)	-	749,265	-
Buildings and improvements	(1,930,593)	(226,123)	-	(2,156,716)
Equipment and machinery	(637,818)	(26,678)	-	(664,496)
Sewer/water lines	(2,566,676)	(206,201)	-	(2,772,877)
Building and fixed equipment	(11,048,926)	-	11,048,926	-
Moveable inventory	(12,091,955)	-	12,091,955	-
Sub-specialty medical clinic	(144,200)	-	144,200	-
Modular medical office building	(449,943)	-	449,943	-
OB/GYN clinic moveable equipment	(17,000)	-	17,000	-
Total accumulated depreciation	(29,636,376)	(459,002)	24,501,289	(5,594,089)
Total capital assets, being depreciated net	23,240,190	(183,757)	(11,309,366)	11,747,067
Business-type activities capital assets, net	\$ 23,970,680	\$ 282,198	\$ (11,941,353)	\$ 12,311,525

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

**Business-type activities:**

Sewer district

Total depreciation expense - business-type activities \$ 459,002

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

**Governmental Activities**

In a prior year the County entered into an additional capital lease agreement for copier equipment. Capital assets consisting of equipment have been capitalized in the amount of \$159,623. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2016 was \$30,379, leaving a current book value of \$129,244. A corresponding liability was recorded in the statement of net position. Principal payments in 2016 totaled \$28,526 paid by the County from the general fund, county board of DD fund, real estate assessment fund and delinquent real estate assessment fund.

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

<u>Year Ended</u>	<u>Payment</u>
2017	\$ 32,996
2018	32,998
2019	10,255
2020	<u>2,506</u>
Total minimum lease payments	78,755
Less: Amounts representing interest	<u>(4,899)</u>
Present value of minimum lease payments	<u>\$ 73,856</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

**A. Long-Term Obligations**

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

	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>
<u>General obligation bonds:</u>			
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 refunding	1.10-4.25%	2,380,000	12/1/2036
USDA loan	3.25%	2,556,000	3/1/2050
<u>OPWC loans:</u>			
Sanitary sewer plant	0.00%	58,226	7/1/2022
Mt. Hope	0.00%	78,018	1/1/2021
Walnut Creek	0.00%	167,254	7/1/2026
Walnut Creek Upgrade	0.00%	1,000,000	1/1/2032
October Hills Phase I	0.00%	391,986	7/1/2042
October Hills Phase II	0.00%	527,284	7/1/2045

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

During 2016, the following activity occurred in the County's governmental long-term obligations:

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
Series 2011 landfill improvement bonds	\$ 2,385,000	\$ -	\$ (55,000)	\$ 2,330,000	\$ 55,000
Series 2011 various purpose refunding bonds	<u>1,685,000</u>	<u>-</u>	<u>(230,000)</u>	<u>1,455,000</u>	<u>240,000</u>
Total general obligation bonds	<u>4,070,000</u>	<u>-</u>	<u>(285,000)</u>	<u>3,785,000</u>	<u>295,000</u>
<u>Other long-term obligations:</u>					
Landfill closure and postclosure care liability	2,073,652	-	(54,391)	2,019,261	54,391
Capital lease obligation	102,382	-	(28,526)	73,856	29,985
Net pension liability	11,935,274	4,969,141	-	16,904,415	-
Compensated absences	<u>1,164,596</u>	<u>855,374</u>	<u>(746,730)</u>	<u>1,273,240</u>	<u>797,375</u>
Total other long-term obligations	<u>15,275,904</u>	<u>5,824,515</u>	<u>(829,647)</u>	<u>20,270,772</u>	<u>881,751</u>
Total governmental activities long-term obligations	<u>\$ 19,345,904</u>	<u>\$ 5,824,515</u>	<u>\$ (1,114,647)</u>	<u>\$ 24,055,772</u>	<u>\$ 1,176,751</u>
Add: unamortized premium on bonds				<u>81,244</u>	
Total on the statement of net position				<u>\$ 24,137,016</u>	

General Obligation Bonds: The general obligation bonds are supported by the full faith and credit of the County. 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, county board of DD fund, real estate assessment fund, and the delinquent real estate assessment fund. See Note 9 for detail.

Net Pension Liability: See Note 13 for detail.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 10 - 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:

<u>Major Governmental Funds</u> General Motor vehicle license and gas tax County board of DD  <u>Major Enterprise Fund</u> Sewer district	<u>Nonmajor Governmental Funds</u> Child support enforcement Real estate assessment State victims assistance License bureau County home Disaster services Youth services Public assistance Tax map
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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</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 295,000	\$ 155,634	\$ 450,634
2018	300,000	148,849	448,849
2019	310,000	140,868	450,868
2020	195,000	129,069	324,069
2021	205,000	122,712	327,712
2022 - 2026	795,000	505,938	1,300,938
2027 - 2031	430,000	389,062	819,062
2032 - 2036	550,000	270,063	820,063
2037 - 2041	<u>705,000</u>	<u>114,975</u>	<u>819,975</u>
Total	<u>\$ 3,785,000</u>	<u>\$ 1,977,170</u>	<u>\$ 5,762,170</u>



**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

During 2016, the following activity occurred in the County's business-type activities long-term obligations:

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
Sewer system improvement refunding	\$ 2,110,000	\$ -	\$ (75,000)	\$ 2,035,000	\$ 75,000
<u>OPWC loans:</u>					
Sanitary sewer plant	18,923	-	(2,911)	16,012	2,911
Mt. Hope	19,505	-	(3,901)	15,604	3,901
Walnut Creek	87,806	-	(8,362)	79,444	8,363
Walnut Creek Upgrade	883,333	-	(33,333)	850,000	33,333
October Hills Phase I	346,254	-	(13,066)	333,188	13,066
October Hills Phase II	518,496	-	(17,576)	500,920	17,576
Total OPWC loans	<u>1,874,317</u>	<u>-</u>	<u>(79,149)</u>	<u>1,795,168</u>	<u>79,150</u>
<u>Other long-term obligations:</u>					
USDA loan	2,447,000	-	(39,000)	2,408,000	40,000
Note payable	1,421,000	-	(1,421,000)	-	-
Capital leases-equipment	166,350	-	(166,350)	-	-
Net pension liability	10,183,953	33,325	(10,111,076)	106,202	-
Compensated absences	4,585	4,448	(4,067)	4,966	4,228
Total other long-term obligations	<u>14,222,888</u>	<u>37,773</u>	<u>(11,741,493)</u>	<u>2,519,168</u>	<u>44,228</u>
Total business-type activities long-term obligations	<u>\$ 18,207,205</u>	<u>\$ 37,773</u>	<u>\$ (11,895,642)</u>	6,349,336	<u>\$ 198,378</u>
Less: unamortized discount on bonds				(2,012)	
Total on the statement of net position				<u>\$ 6,347,324</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. The amount of defeased debt outstanding at December 31, 2016 was \$2,050,500. The refunding bond issue is comprised of term bonds with interest rates ranging from 1.10% to 4.25%. Principal and interest payments are made from the sewer district fund.

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.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Note Payable: In 2014 and 2015 the Hospital received a \$637,001 and \$1,250,000, unsecured, interest-free loan from the Aultman Health Foundation (Aultman), respectively. As part of the transfer of operations, all liabilities associated with the Hospital were assumed by the Pomerene Foundation.

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.

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

<u>Year Ended</u>	<u>General obligation bonds</u>			<u>OPWC</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Loans</u>
				<u>Principal</u>
2017	\$ 75,000	\$ 62,653	\$ 137,653	\$ 79,150
2018	80,000	61,253	141,253	79,152
2019	80,000	59,853	139,853	79,150
2020	80,000	58,253	138,253	79,150
2021	85,000	56,553	141,553	75,250
2022 - 2026	460,000	250,151	710,151	358,965
2027 - 2031	535,000	178,635	713,635	319,879
2032 - 2036	640,000	80,606	720,606	319,879
2037 - 2041	-	-	-	319,877
2042 - 2046	-	-	-	84,716
<b>Total</b>	<b>\$ 2,035,000</b>	<b>\$ 807,957</b>	<b>\$ 2,842,957</b>	<b>\$ 1,795,168</b>

<u>Year Ended</u>	<u>USDA loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 40,000	\$ 78,325	\$ 118,325
2018	41,000	77,058	118,058
2019	42,000	75,790	117,790
2020	43,000	74,548	117,548
2021	45,000	73,158	118,158
2022 - 2026	250,000	342,084	592,084
2027 - 2031	294,000	298,854	592,854
2032 - 2036	343,000	247,825	590,825
2037 - 2041	403,000	188,365	591,365
2042 - 2046	473,000	118,385	591,385
2047 - 2051	434,000	36,182	470,182
<b>Total</b>	<b>\$ 2,408,000</b>	<b>\$ 1,610,574</b>	<b>\$ 4,018,574</b>

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

- 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, 2016, the County's total legal debt margin was \$18,770,740 and the unvoted legal debt margin was \$5,886,192.

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Employees earn sick leave at a rate of 4.60 hours of sick leave for each completed 80 hours in active pay status. Sick leave accumulation is unlimited. Upon retirement or death, an employee can be paid twenty-five percent to a maximum of 30 days of accumulated, unused sick leave. As of December 31, 2016, the County's total liability for unpaid compensated absences was \$1,278,206.

**B. Health Insurance**

The County provides health insurance to its employees through Aultcare of Ohio.

**NOTE 12 - RISK MANAGEMENT**

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

The County is a member of County Risk Sharing Authority, Inc. (CORSA), which is a shared risk pool of 65 counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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 2016, 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.

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.

#### NOTE 13 - DEFINED BENEFIT PENSION PLANS

##### *Net Pension Liability/Asset*

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

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

#### ***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

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

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

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

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

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

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

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2016 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
<b>2016 Actual Contribution Rates</b>			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>2.0 %</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

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

The County's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$1,333,605 for 2016. Of this amount, \$79,100 is reported as due to other governments.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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



**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For January 1, 2016 through June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. For July 1, 2016 through December 31, 2016, plan members were required to contribute 14 percent of their annual covered salary. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2016 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$71,194 for 2016. Of this amount, \$2,223 is reported as due to other governments/pension and postemployment benefits payable.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2015, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. STRS's total pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability or asset was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.10048700%	0.00435302%	
Proportion of the net pension liability current measurement date	<u>0.09983300%</u>	<u>0.00457000%</u>	
Change in proportionate share	<u>-0.00065400%</u>	<u>0.00021698%</u>	
Proportion of the net pension asset prior measurement date	0.07438300%		
Proportion of the net pension asset current measurement date	<u>0.11057000%</u>		
Change in proportionate share	<u>0.03618700%</u>		
Proportionate share of the net pension liability	\$ 15,480,900	\$ 1,529,717	\$ 17,010,617
Proportionate share of the net pension asset	31,511	-	31,511
Pension expense	2,166,026	(64,546)	2,101,480

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 912	\$ 61,809	\$ 62,721
Net difference between projected and actual earnings on pension plan investments	4,564,179	127,009	4,691,188
Changes in employer's proportionate percentage/ difference between employer contributions	-	52,449	52,449
County contributions subsequent to the measurement date	<u>1,333,605</u>	<u>37,284</u>	<u>1,370,889</u>
Total deferred outflows of resources	<u><u>\$ 5,898,696</u></u>	<u><u>\$ 278,551</u></u>	<u><u>\$ 6,177,247</u></u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 313,440	\$ -	\$ 313,440
Changes in employer's proportionate percentage/ difference between employer contributions	<u>159,414</u>	<u>30,910</u>	<u>190,324</u>
Total deferred inflows of resources	<u><u>\$ 472,854</u></u>	<u><u>\$ 30,910</u></u>	<u><u>\$ 503,764</u></u>

\$1,370,889 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2017.

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

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Year Ending December 31:			
2017	\$ 912,416	\$ 32,744	\$ 945,160
2018	1,005,190	32,745	1,037,935
2019	1,150,031	81,482	1,231,513
2020	1,031,216	63,383	1,094,599
2021	(1,696)	2	(1,694)
Thereafter	<u>(4,919)</u>	<u>-</u>	<u>(4,919)</u>
Total	<u><u>\$ 4,092,238</u></u>	<u><u>\$ 210,356</u></u>	<u><u>\$ 4,302,594</u></u>

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.80% simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 401 (h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	20.70	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	18.30	7.40
Other investments	18.00	4.59
<b>Total</b>	<b>100.00 %</b>	<b>5.27 %</b>

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 24,664,856	\$ 15,480,900	\$ 7,734,524
Combined Plan	(645)	(31,379)	(56,102)
Member-Directed Plan	345	(132)	(345)

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

*Changes Between Measurement Date and Report Date* - In October 2016, the OPERS Board of Trustees adopted certain assumption changes which impacted their annual actuarial valuation prepared as of December 31, 2016. The most significant changes are a reduction in the expected investment return to 7.50% from 8.00%, the expected long-term average wage inflation was reduced to 3.25% from 3.75%, the expected long-term average price inflation was reduced to 2.50% from 3.00% and a change to various demographic assumptions. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 2,032,869	\$ 1,529,717	\$ 1,105,278

**Changes Between Measurement Date and Report Date** - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

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 Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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

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

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2016 was 2.00%.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$244,687, \$200,397, and \$261,412, respectively; 95.44% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments/pension and postemployment benefits payable on the basic financial statements.

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

**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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS 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. 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 2016, STRS did not allocate any percentage of employer contributions to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2016, 2015 and 2014 were \$0, \$0 and \$4,589, respectively. The full amount has been contributed for 2014.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, County Board of DD fund and motor vehicle license and gas tax fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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	\$ (553,066)	\$ 120,482	\$ 207,588
Net adjustment for revenue accruals	159,047	(111,064)	34,552
Net adjustment for expenditure accruals	(207,139)	(90,169)	(405,862)
Net adjustment for other sources (uses)	221,027	-	-
Funds budgeted elsewhere	341,121	-	-
Adjustment for encumbrances	<u>13,252</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$ (25,758)</u>	<u>\$ (80,751)</u>	<u>\$ (163,722)</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.



**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The County received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at December 31, 2016.

**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, 2016.

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**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 17 - FUND BALANCE**

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

Fund balance	General	County Board of DD	Motor Vehicle License and Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 46,030	\$ 11,001	\$ 281,415	\$ 20,391	\$ 358,837
Prepayments	75,700	4,558	3,264	13,525	97,047
Unclaimed monies	<u>69,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,672</u>
Total nonspendable	<u>191,402</u>	<u>15,559</u>	<u>284,679</u>	<u>33,916</u>	<u>525,556</u>
Restricted:					
Capital projects	-	-	-	894,710	894,710
Debt service	-	-	-	81,493	81,493
Public works projects	-	-	1,424,180	363,522	1,787,702
Public safety programs	-	-	-	577,252	577,252
Health	-	-	-	140,239	140,239
Human services programs	-	2,097,627	-	6,157,720	8,255,347
Real estate assessment	-	-	-	1,064,958	1,064,958
Court special projects	-	-	-	181,876	181,876
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>469,050</u>	<u>469,050</u>
Total restricted	<u>-</u>	<u>2,097,627</u>	<u>1,424,180</u>	<u>9,930,820</u>	<u>13,452,627</u>
Committed:					
Capital projects	-	-	-	493,161	493,161
Jail kitchen	12,448	-	-	-	12,448
Compensated absences	291,857	-	-	-	291,857
Employee benefits	<u>273,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,422</u>
Total committed	<u>577,727</u>	<u>-</u>	<u>-</u>	<u>493,161</u>	<u>1,070,888</u>
Assigned:					
Subsequent year appropriations	1,285,958	-	-	-	1,285,958
Public safety programs	342,575	-	-	-	342,575
Legislative and executive	11,114	-	-	-	11,114
Judicial	<u>2,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,138</u>
Total assigned	<u>1,641,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,641,785</u>
Unassigned (deficit)	<u>5,549,747</u>	<u>-</u>	<u>-</u>	<u>(169,000)</u>	<u>5,380,747</u>
Total fund balances	<u>\$ 7,960,661</u>	<u>\$ 2,113,186</u>	<u>\$ 1,708,859</u>	<u>\$ 10,288,897</u>	<u>\$ 22,071,603</u>

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 18 - OTHER COMMITMENTS**

The County utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the County did not have any commitments for encumbrances in the governmental funds.

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

State and federal regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County closed the landfill during 2011, issuing bonds to help fund the cost of closure. The liability reported at December 31, 2016, of \$2,019,261 represents the estimated remaining postclosure care costs. This amount represents an estimate of what it would cost to perform all postclosure care at December 31, 2016. However, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 20 - RELATED PARTY TRANSACTIONS**

During 2016, 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 \$349,873 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 \$28,779 to Lynn Hope Industries, Inc. for services provided during 2016.

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

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

**A. Basis of Accounting**

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

**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, 2016

**NOTE 21 - 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.I.). At December 31, 2016, vacation and sick leave liability were \$1,844 and \$9,967, respectively. The entire compensated absences liability is reported on the government-wide financial statements.

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

**A. Summary of Significant Accounting Policies**

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

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

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

Depreciation is based on the following policies:

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

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

Designation of Contributions - Contributors to the Organization have the ability to designate the programs to be benefited by their contributions. During the year ended December 31, 2016, 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.

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

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

**B. Non-Cash Transactions**

The Organization received in-kind services and facilities for the year ended December 31, 2016 from the Holmes County Board of DD. The value of the in-kind contribution was determined to be \$349,873 and is recorded in operating grants and operating expenses as an equivalent amount.

**C. Deposits and Investments**

The carrying amount of the Organization's deposits at year end was \$441,599. The entire balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

**D. Related Parties**

Total revenues from contracts to provide services to the Holmes County Board of DD were \$28,779 for the year ended December 31, 2016. The Organization had \$5,878 in accounts receivable from the Holmes County Board of DD at December 31, 2016.

**E. Long-Term Liabilities**

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

Note payable	\$ 40,064
Less: current portion	<u>(14,403)</u>
Total	<u>\$ 25,661</u>

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

2017	\$ 14,403
2018	15,139
2019	<u>10,522</u>
Total	<u>\$ 40,064</u>

**F. Capital Assets**

A summary of capital assets at December 31, 2016 follows:

Equipment	76,730
Vehicles	135,952
Furniture and fixtures	9,854
Building improvements	<u>2,971</u>
Subtotal	225,507
Less: accumulated depreciation	<u>(190,934)</u>
Net capital assets	<u>34,573</u>

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 23 - HOLMES COUNTY AIRPORT AUTHORITY**

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

**A. Basis of Accounting**

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

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

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

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

A summary of capital assets at December 31, 2016, follows:

Land	\$ 54,357
Construction in progress	829,707
Land improvements	5,291,166
Buildings and improvements	581,743
Equipment	<u>415,009</u>
Subtotal	7,171,982
Less: accumulated depreciation	<u>(590,384)</u>
Net capital assets	<u>\$ 6,581,598</u>

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

**B. Deposits with Financial Institutions**

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

At December 31, 2016, the carrying amount and bank balance of the Airport Authority's deposits was \$21,923. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016 the entire balance 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.

**NOTE 24 - TRANSFER OF OPERATIONS**

Effective January 1, 2016 the Pomerene Foundation (the "Foundation") assumed operations, including assuming all outstanding liabilities, of the Joel Pomerene Memorial Hospital (the "Hospital"). The County executed an agreement to lease the facilities out to the Foundation at a rate of \$15,000 per year adjusted for inflation. See Note 25 for more information about this operating lease. As a result of the merger the Hospital will be able to provide better services to a wider range of citizens. The building and land that were associated with the Hospital in the amount of \$6,758,760 were transferred to governmental capital assets, as the County retained ownership of these assets. The County recognized a special item of (\$12,114,776) associated with the transferring of assets and liabilities of the Hospital to the Foundation.

**NOTE 25 - OPERATING LEASE**

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

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**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 26 - TAX ABATEMENTS**

As of December 31, 2016, the County provides tax abatements Enterprise Zone (Ezone). These programs relate to the abatement of property taxes.

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

The County has entered into agreements to abate property taxes through these programs. During 2016, the County's property tax revenues were reduced as a result of these agreements as follows:

<u>Tax Abatement Program</u>	<u>County Taxes Abated</u>
Ezone	<u>\$ 60,273</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

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**HOLMES COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>			
County's proportion of the net pension liability	0.099833%	0.184390%	0.184390%
County's proportionate share of the net pension liability	\$ 15,480,900	\$ 20,916,180	\$ 20,443,753
County's covered-employee payroll	\$ 20,937,183	\$ 20,624,208	\$ 23,104,608
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	73.94%	101.42%	88.48%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%
<i>Combined Plan:</i>			
County's proportion of the net pension asset	0.072030%	0.202512%	0.202512%
County's proportionate share of the net pension asset	\$ 31,379	\$ 74,865	\$ 20,403
County's covered-employee payroll	\$ 851,408	\$ 740,250	\$ 768,454
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	3.69%	10.11%	2.66%
Plan fiduciary net position as a percentage of the total pension asset	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>			
County's proportion of the net pension asset	0.038540%	n/a	n/a
County's proportionate share of the net pension asset	\$ 132	n/a	n/a
County's covered-employee payroll	\$ 210,258	n/a	n/a
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.06%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.91%	n/a	n/a

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

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

**HOLMES COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS

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

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**HOLMES COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR YEARS

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

(1) Information prior to 2013 was unavailable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**HOLMES COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 71,194	\$ 68,631	\$ 64,521	\$ 64,251
Contributions in relation to the contractually required contribution	<u>(71,194)</u>	<u>(68,631)</u>	<u>(64,521)</u>	<u>(64,251)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 508,529	\$ 490,221	\$ 460,864	\$ 494,238
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
\$ 71,717	\$ 76,235	\$ 82,934	\$ 91,119	\$ 111,128	\$ 110,266
<u>(71,717)</u>	<u>(76,235)</u>	<u>(82,934)</u>	<u>(91,119)</u>	<u>(111,128)</u>	<u>(110,266)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 551,669	\$ 586,423	\$ 637,954	\$ 700,915	\$ 854,831	\$ 848,200
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**HOLMES COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.



## **SUPPLEMENTARY INFORMATION**

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**HOLMES COUNTY, OHIO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) PASSED THROUGH TO SUBRECIPIENTS	(A) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>PASSED THROUGH THE</b>				
<b>OHIO DEPARTMENT OF EDUCATION</b>				
(B) (C) National School Lunch Program	10.555	2016		\$ 2,271
<b>PASSED THROUGH THE</b>				
<b>OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</b>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5528		140,158
<b>Total U.S. Department of Agriculture</b>				<u>142,429</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<b>PASSED THROUGH THE</b>				
<b>OHIO DEPARTMENT OF DEVELOPMENT</b>				
Community Development Block Grants/State's Program	14.228	B-C-14-1BI-1		95,087
Home Investment Partnerships Program	14.239	B-C-14-1BI-2		121,586
<b>Total U.S. Department of Housing and Urban Development</b>				<u>216,673</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<b>PASSED THROUGH THE</b>				
<b>OHIO ATTORNEY GENERAL'S OFFICE</b>				
Crime Victim Assistance	16.575	2016VAGNE274		39,672
Crime Victim Assistance	16.575	2017VAGNE274		13,000
<b>Total Crime Victim Assistance</b>				<u>52,672</u>
<b>Total U.S. Department of Justice</b>				<u>52,672</u>
<b>U.S. DEPARTMENT OF LABOR</b>				
<b>PASSED THROUGH</b>				
<b>OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</b>				
<b>AND AREA 7 WORKFORCE INVESTMENT BOARD</b>				
Employment Service/Wagner-Peyser Funded Activities	17.207	2015-7238-1, 2016-7238-1		6,257
(E) WIA Adult Program - Adult Administration	17.258	2015-7238-1, 2016-7238-1		1,642
(E) WIA Adult Program	17.258	2015-7238-1, 2016-7238-1		51,440
<b>Total Workforce Investment Act - Adult</b>				<u>53,082</u>
(E) WIA Youth Activities - Youth Administration	17.259	2015-7238-1, 2016-7238-1		439
(D) (E) WIA Youth Activities	17.259	2015-7238-1, 2016-7238-1	\$ 90,235	90,235
<b>Total Workforce Investment Act - Youth Activities</b>			<u>90,235</u>	<u>90,674</u>
(E) Dislocated Workers Administration	17.278	2015-7238-1, 2016-7238-1		2,609
(E) WIA Dislocated Worker	17.278	2015-7238-1, 2016-7238-1		22,201
<b>Total WIA Dislocated Worker</b>				<u>24,810</u>
<b>Total Workforce Investment Act (WIA) Grant Cluster</b>				<u>168,566</u>
<b>Total U.S. Department of Labor</b>			<u>90,235</u>	<u>174,823</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<b>FEDERAL AVIATION ADMINISTRATION (FAA)</b>				
<b>PASSED THROUGH THE</b>				
<b>NA</b>				
Airport Improvement Program	20.106	3-39-0056-1012		190,729
Airport Improvement Program	20.106	3-39-0056-1112		57,629
Airport Improvement Program	20.106	3-39-0056-1213		202,320
<b>Total Airport Improvement Program</b>				<u>450,678</u>
<b>PASSED THROUGH THE</b>				
<b>OHIO DEPARTMENT OF TRANSPORTATION</b>				
Highway Planning and Construction	20.205	100416		3,240
Highway Planning and Construction	20.205	84860		879,313
<b>Total Highway Planning and Construction</b>				<u>882,553</u>
<b>PASSED THROUGH THE</b>				
<b>OHIO TRAFFIC SAFETY OFFICE</b>				
State and Community Highway	20.600	IDEP.2016.38.00.00.00362.01		9,017
National Highway Traffic Safety Administration	20.616	STEP.2016.38.00.00.00488.00		14,415
<b>Total U.S. Department of Transportation</b>				<u>1,356,663</u>

-Continued

**HOLMES COUNTY, OHIO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) PASSED THROUGH TO SUBRECIPIENTS	(A) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
(C) Special Education_Grants to States	84.027	N/A		52,821
(F) Special Education-Grants for Infants and Families	84.181	03810021HG0716		50,318
(F) Special Education-Grants for Infants and Families	84.181	03810021HG0615		18,161
<b>Total Special Education_Grants for Infants and Families</b>				<b>68,479</b>
<b>Total U.S. Department of Education</b>				<b>121,300</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</b>				
(G) Promoting Safe & Stable Families	93.556	5AU-17-C0038		1,020
(C) (G) Promoting Safe & Stable Families	93.556	N/A		15,514
Promoting Safe & Stable Families	93.556	G-1617-11-5528		55,285
<b>Total Promoting Safe &amp; Stable Families</b>				<b>71,819</b>
(D) Temporary Assistance for Needy Families (TANF) State Programs - Summer Youth	93.558	G-1617-11-5528	189,502	189,502
Temporary Assistance for Needy Families (TANF) State Programs - Administration	93.558	G-1617-11-5528		398,887
(D) Temporary Assistance for Needy Families (TANF) State Programs	93.558	G-1617-11-5528	252,070	493,175
<b>Total Temporary Assistance for Needy Families (TANF) State Programs</b>			<b>441,572</b>	<b>1,081,564</b>
Child Support Enforcement	93.563	G-1617-11-5528		454,870
Child Care and Development Block Grant - Admin	93.575	G-1617-11-5528		23,737
Child Care and Development Block Grant	93.575	G-1617-11-5528		25,565
<b>Total Child Care and Development Block Grant</b>				<b>49,302</b>
Community-Based Child Abuse Prevention Grants	93.590	G-1617-11-5528		1,959
(G) Stephanie Tubbs Jones Child Welfare Services Program	93.645	5AU-17-C0038		8,256
Stephanie Tubbs Jones Child Welfare Services Program - Admin	93.645	G-1617-11-5528		58,595
<b>Total Stephanie Tubbs Jones Child Welfare Services Program</b>				<b>66,851</b>
Foster Care Title IV-E	93.658	75-5-1545		55,633
Foster Care Title IV-E	93.658	G-1617-11-5528		210,740
<b>Total Foster Care Title IV-E</b>				<b>266,373</b>
Adoption Assistance	93.659	G-1617-11-5528		127,956
<b>PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES</b>				
(C) Social Services Block Grant	93.667	N/A		25,737
(F) Social Services Block Grant	93.667	G-1617-11-5528		521,757
<b>Total Social Services Block Grant</b>				<b>547,494</b>
(F) Medical Assistance Program	93.778	G-1617-11-5528		425,456
(C) Medical Assistance Program	93.778	N/A		151,153
<b>Total Medical Assistance Program</b>				<b>576,609</b>
<b>Total U.S. Department of Health and Human Services</b>			<b>441,572</b>	<b>3,244,797</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE OHIO EMERGENCY MANAGEMENT AGENCY</b>				
Emergency Management Performance Grants	97.042	EMC-2015-EP-00003-S01		10,878
Emergency Management Performance Grants	97.042	EMC-2016-EP-00003-S01		6,107
<b>Total Emergency Management Performance Grants</b>				<b>16,985</b>
(C) Pre Disaster Mitigation Comp Program	97.047	N/A		77,898
<b>Total U.S. Department of Homeland Security</b>				<b>94,883</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 531,807</b>	<b>\$ 5,404,240</b>

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

- (A) This schedule includes the federal award activity of Holmes County under programs of the federal government for the year ended December 31, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Holmes County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Holmes County.
- (B) 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) The County passes certain federal awards received from various agencies to other governments or not-for-profit agencies (subrecipients). As Note A describes, the County reports expenditures of Federal awards to subrecipients when paid in cash. As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.
- (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.
- (G) This portion of the grant was passed through Ohio Department of Mental Health.
- (H) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimus rate of 10% of modified total direct costs to indirect costs. The County has not elected to use the 10% de minimus indirect cost rate.
- Note 1** Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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

*Serving Ohio Local Governments*

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

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

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

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Holmes County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Holmes County's basic financial statements and have issued our report thereon June 27, 2017, wherein we noted as discussed in Note 24, Holmes County transferred operations of the Joel Pomerene Memorial Hospital to the Pomerene Foundation.

#### ***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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of Holmes County's internal control. Accordingly, we have not opined on it.

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

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

Board of Commissioners  
Holmes County

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
June 27, 2017



## **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 the Uniform Guidance**

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) *Compliance Supplement* that could directly and materially affect each of Holmes County's major federal programs for the year ended December 31, 2016. The *Summary of Auditor's 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

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

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

#### ***Opinion on Each 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, 2016.

Board of Commissioners  
Holmes County

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Julian & Grube, Inc.  
June 27, 2017



**HOLMES COUNTY**  
**SCHEDULE OF FINDINGS**  
**2 CFR § 200.515**  
**DECEMBER 31, 2016**

<b>1. SUMMARY OF AUDITORS' RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR § 200.516 (a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Highway Planning and Construction, CFDA #20.205; Child Support Enforcement, CFDA #93.563
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

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

None

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

None

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# Dave Yost • Auditor of State

HOLMES COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 26, 2017