

HOLMES COUNTY, OHIO

***BASIC
FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED
DECEMBER 31, 2011***

HONORABLE JACKIE MCKEE, AUDITOR

HOLMES COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Accountant's Compilation Report

To the Honorable Jackie McKee, Auditor
Millersburg, Ohio

We have compiled the basic financial statements, as listed in the table of contents, for Holmes County (the "County"), as of and for the year ended December 31, 2011. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 14, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. We have compiled such information without audit or review and, accordingly, we do not express an opinion or provide any assurance on it.

Julian & Grube, Inc.

May 28, 2012

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

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, 2011. 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 2011 are as follows:

- The total net assets of the County increased \$4,176,774. Net assets of governmental activities decreased \$2,584,433, which represents a 7.31% decrease over fiscal year 2010. Net assets of business-type activities increased \$6,761,207 or 31.59% from fiscal year 2010.
- General revenues accounted for \$12,182,982 or 39.24% of total governmental activities revenue. Program specific revenues accounted for \$18,862,166 or 60.76% of total governmental activities revenue.
- The County had \$28,995,808 in governmental activities expenses, and transfers of \$4,633,773; \$19,028,166 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12,182,982 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 \$9,961,003 in 2011, an increase of \$570,401 or 6.07% from 2010. The general fund had expenditures and other financing uses of \$9,320,817 in 2011, an increase of \$432,073 or 4.86% from 2010. The net changes in revenues and expenditures contributed to the general fund balance increase of \$640,186 or 35.85% from 2010 to 2011.
- The county board of developmentally disabled (DD) fund, a major governmental fund, had revenues of \$5,846,744 in 2011, an increase of \$523,000 or 9.82% from 2010. The DD fund had expenditures and other financing uses of \$5,434,311 in 2011, an increase of \$97,393 or 1.82% from 2010. The net changes in revenues and expenditures contributed to the DD fund balance increase of \$412,433 or 26.43% from 2010 to 2011.
- The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$4,847,521 in 2011, a decrease of \$543,454 or 10.08% from 2010. The motor vehicle license and gas tax fund had expenditures of \$5,155,634 in 2011, a decrease of \$19,450 or 0.38% from 2010. The motor vehicle license and gas tax fund balance decreased \$308,113 or 20.01% from 2010 to 2011.
- Net assets for the business-type activities, which are made up of the sewer district, East Holmes water, county disposal and Joel Pomerene Memorial Hospital enterprise funds, increased in 2011 by \$6,761,207 or 31.59%. A key factor in this increase was transfers from the governmental activities in the amount of \$4,633,773 to close out the county disposal fund and transfer the fund's assets and liabilities to the governmental activities.
- In the general fund, the actual revenues and financing sources came in \$1,037,087 higher than budgeted and actual expenditures and financing uses were \$562,017 lower than the amount in the final budget. These variances are a result of the County's conservative budgeting process.

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, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

The statement of net assets 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 Assets and the Statement of Activities

The statement of net assets and the statement of activities answer the question, "How did we do financially during 2011?" These statements include *all assets, liabilities, 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 assets and changes in those assets. This change in net assets 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 assets 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 assets and statement of activities can be found on pages 15-17 of this report.

Reporting the County's Most Significant Funds

Fund Financial Statements

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

The County's major governmental funds are the general fund, county board of developmentally disabled (DD) and motor vehicle license and gas tax. The County's major enterprise funds are the sewer district and Joel Pomerene Memorial Hospital. The analysis of the County's major governmental and proprietary funds begins on page 10.

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

Governmental Funds

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 18-21 and the budgetary statements for the general and major special revenue funds can be found on pages 22-24 of this report.

Proprietary Funds

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the County's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 30 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-78 of this report.

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets for 2011 and 2010.

Net Assets

	Governmental Activities 2011	Business-type Activities 2011	Governmental Activities 2010	Business-type Activities 2010	2011 Total	2010 Total
<u>Assets</u>						
Current and other assets	\$ 25,445,615	\$ 14,755,722	\$ 20,695,270	\$ 14,824,894	\$ 40,201,337	\$ 35,520,164
Capital assets	<u>25,425,000</u>	<u>22,980,722</u>	<u>26,322,782</u>	<u>21,631,636</u>	<u>48,405,722</u>	<u>47,954,418</u>
Total assets	<u>50,870,615</u>	<u>37,736,444</u>	<u>47,018,052</u>	<u>36,456,530</u>	<u>88,607,059</u>	<u>83,474,582</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	11,097,982	7,527,031	4,187,998	11,664,434	18,625,013	15,852,432
Other liabilities	<u>7,018,498</u>	<u>2,048,475</u>	<u>7,491,486</u>	<u>3,392,365</u>	<u>9,066,973</u>	<u>10,883,851</u>
Total liabilities	<u>18,116,480</u>	<u>9,575,506</u>	<u>11,679,484</u>	<u>15,056,799</u>	<u>27,691,986</u>	<u>26,736,283</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	22,702,557	15,481,293	23,210,622	14,930,348	38,183,850	38,140,970
Restricted	13,568,078	733,368	9,787,446	731,290	14,301,446	10,518,736
Unrestricted (deficit)	<u>(3,516,500)</u>	<u>11,946,277</u>	<u>2,340,500</u>	<u>5,738,093</u>	<u>8,429,777</u>	<u>8,078,593</u>
Total net assets	<u>\$ 32,754,135</u>	<u>\$ 28,160,938</u>	<u>\$ 35,338,568</u>	<u>\$ 21,399,731</u>	<u>\$ 60,915,073</u>	<u>\$ 56,738,299</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the County's assets exceeded liabilities by \$60,915,073. This amounts to \$32,754,135 in governmental activities and \$28,160,938 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 54.63% of total governmental and business-type assets. Capital assets include land, buildings and improvements, furniture, fixtures and equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2011, were \$38,183,850. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2011, the County is able to report positive balances in all three categories of net assets for business-type activities. A portion of the County's governmental activities net assets, \$13,568,078 or 41.42%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities is a deficit of \$3,516,500. This deficit, as well as the corresponding increase in unrestricted net assets for the business-type activities, is primarily the result of the governmental activities taking on the liability for the landfill closure and postclosure care, which had previously been reported as a liability of the business-type activities.

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table below shows the changes in net assets for fiscal year 2011 and 2010.

	Change in Net Assets					
	Governmental Activities 2011	Business-type Activities 2011	Governmental Activities 2010	Business-type Activities 2010	2011 Total	2010 Total
Revenues						
Program revenues:						
Charges for services and sales	\$ 6,015,879	\$ 30,784,255	\$ 5,012,388	\$ 32,248,632	\$ 36,800,134	\$ 37,261,020
Operating grants and contributions	11,895,408	-	10,692,829	-	11,895,408	10,692,829
Capital grants and contributions	950,879	2,355,444	1,875,553	325,000	3,306,323	2,200,553
Total program revenues	<u>18,862,166</u>	<u>33,139,699</u>	<u>17,580,770</u>	<u>32,573,632</u>	<u>52,001,865</u>	<u>50,154,402</u>
General revenues:						
Property taxes	5,857,856	-	5,636,136	-	5,857,856	5,636,136
Sales tax	5,071,253	-	4,959,285	-	5,071,253	4,959,285
Unrestricted grants	905,666	-	1,088,168	-	905,666	1,088,168
Investment earnings	211,697	67,909	237,029	62,474	279,606	299,503
Other	136,510	934,536	86,251	861,244	1,071,046	947,495
Total general revenues	<u>12,182,982</u>	<u>1,002,445</u>	<u>12,006,869</u>	<u>923,718</u>	<u>13,185,427</u>	<u>12,930,587</u>
Total revenues	<u>31,045,148</u>	<u>34,142,144</u>	<u>29,587,639</u>	<u>33,497,350</u>	<u>65,187,292</u>	<u>63,084,989</u>
Expenses						
Program Expenses:						
General government						
Legislative and executive	4,623,230	-	4,425,225	-	4,623,230	4,425,225
Judicial	1,818,661	-	1,728,000	-	1,818,661	1,728,000
Public safety	3,939,949	-	3,564,619	-	3,939,949	3,564,619
Public works	5,699,451	-	4,657,661	-	5,699,451	4,657,661
Health	253,226	-	246,731	-	253,226	246,731
Human services	12,281,887	-	12,484,673	-	12,281,887	12,484,673
Conservation and recreation	232,446	-	207,858	-	232,446	207,858
Interest and fiscal charges	146,958	-	183,745	-	146,958	183,745
Sewer District	-	1,157,649	-	1,158,297	1,157,649	1,158,297
Joel Pomerene Hospital	-	30,849,290	-	32,711,332	30,849,290	32,711,332
Nonmajor:						
County Disposal	-	7,771	-	28,288	7,771	28,288
Total expenses	<u>28,995,808</u>	<u>32,014,710</u>	<u>27,498,512</u>	<u>33,897,917</u>	<u>61,010,518</u>	<u>61,396,429</u>
Excess of revenues over expenses	2,049,340	2,127,434	2,089,127	(400,567)	4,176,774	1,688,560
Transfers	(4,633,773)	4,633,773	-	-	-	-
Change in net assets	(2,584,433)	6,761,207	2,089,127	(400,567)	4,176,774	1,688,560
Net assets at beginning of year	<u>35,338,568</u>	<u>21,399,731</u>	<u>33,249,441</u>	<u>21,800,298</u>	<u>56,738,299</u>	<u>55,049,739</u>
Net assets at end of year	<u>\$ 32,754,135</u>	<u>\$ 28,160,938</u>	<u>\$ 35,338,568</u>	<u>\$ 21,399,731</u>	<u>\$ 60,915,073</u>	<u>\$ 56,738,299</u>

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

Governmental Activities

Governmental net assets decreased by \$2,584,433 in 2011 from 2010, which is a result of the transfers to the business-type activities. The change in governmental activities net assets before transfers was an increase of \$2,049,340.

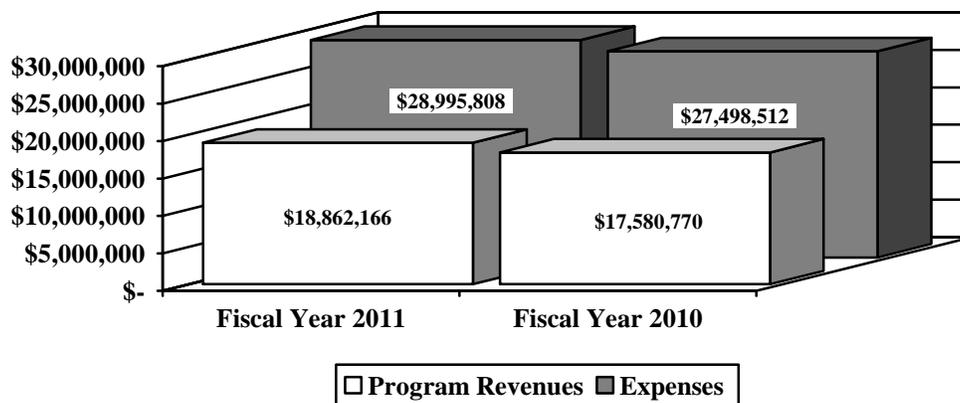
Human services, which supports the operations of the county home, county board of DD, job and family services (public assistance), veteran services, and the children services board, accounts for \$12,281,887 of expenses, or 42.36% of total governmental expenses of the County. These expenses were funded by \$1,978,273 in charges to users of services, \$7,018,702 in operating grants and contributions and \$50,000 in capital grants and contributions in 2011. General government expenses which includes legislative and executive and judicial programs, accounted for \$6,441,891 or 22.22% of total governmental expenses. General government expenses were funded by \$2,990,304 of direct charges to users in 2011. Public works expenses, the County's third largest category of expenses, totaled \$5,699,451 in 2011 or 19.66% of total governmental expenses. The County's public works programs consist primarily of motor vehicle license and gas tax and recycling programs.

The State and federal government contributed to the County revenues of \$12,846,287 in operating and capital grants and contributions in 2011, compared to \$12,568,382 in 2010. These revenues are restricted to a particular program or purpose.

General revenues totaled \$12,182,982 and amounted to 39.24% of total revenues. These revenues primarily consist of property and sales tax revenue of \$10,929,109 or 89.71% of total general revenues in 2011. The other primary source of general revenues is grants and entitlements not restricted to specific programs, which makes up \$905,666 or 7.43% 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 2011 and 2010. 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, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

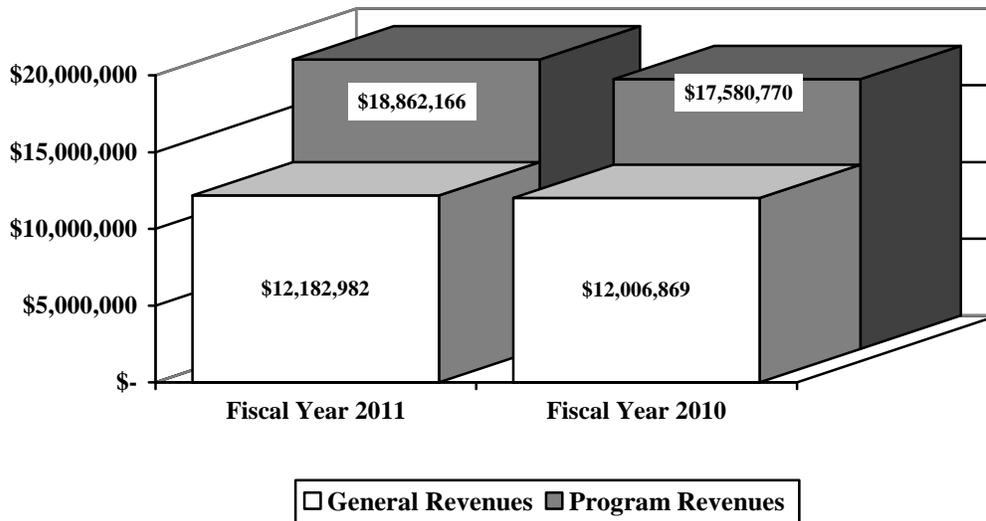
Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program Expenses:				
General government				
Legislative and executive	\$ 4,623,230	\$ 1,477,664	\$ 4,425,225	\$ 1,849,189
Judicial	1,818,661	1,396,176	1,728,000	1,183,293
Public safety	3,939,949	3,121,584	3,564,619	2,795,184
Public works	5,699,451	597,473	4,657,661	(933,243)
Health	253,226	80,105	246,731	74,088
Human services	12,281,887	3,234,912	12,484,673	4,701,272
Conservation and recreation	232,446	232,446	207,858	207,858
Interest and fiscal charges	146,958	(6,718)	183,745	40,101
Total	\$ 28,995,808	\$ 10,133,642	\$ 27,498,512	\$ 9,917,742

The dependence upon general revenues for governmental activities is apparent, with 34.95% of expenses supported through taxes and other general revenues during 2011.

The graph below illustrates the County's reliance upon general revenues.

Governmental Activities - General and Program Revenues

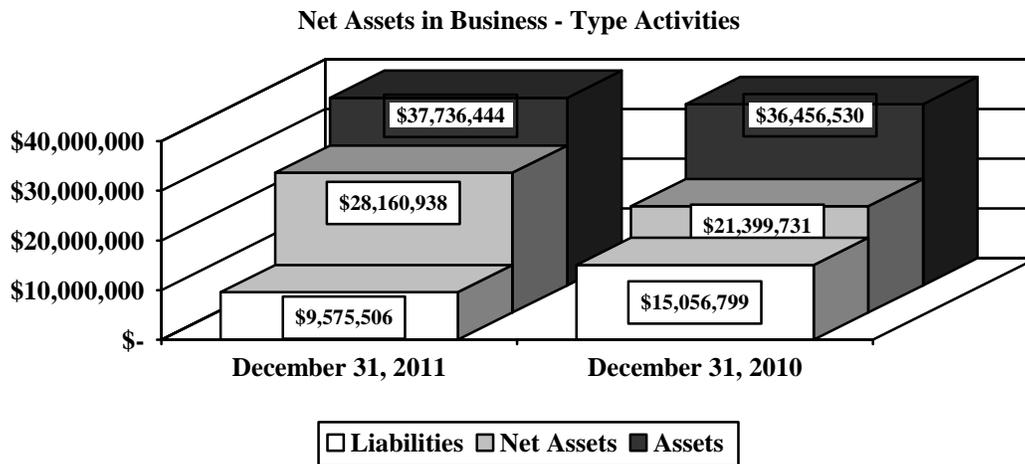


HOLMES COUNTY, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT’S COMPILATION REPORT)**

Business-Type Activities

The sewer district, East Holmes water, county disposal and Joel Pomerene Memorial Hospital are the County’s enterprise funds. These operations had program revenues of \$33,139,699, general revenues of \$1,002,445, and expenses of \$32,014,710 for fiscal year 2011. The business-type activities also received transfers from the governmental activities in the amount of \$4,633,733 to close out the county disposal fund. This involved transferring the assets and liabilities of the fund to the governmental activities, which is the primary cause of the significant decrease in liabilities, as illustrated in the graph below. The net assets of the enterprise funds increased \$6,761,207 or 31.59% during 2011. The following graph illustrates the assets, liabilities and net assets of the County’s business-type activities at December 31, 2011 and 2010:



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 pages 18-19) reported a combined fund balance of \$14,495,072, which is \$4,758,581 higher than last year’s total of \$9,736,491. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2011 for all major and non-major governmental funds. Fund balances at December 31, 2010 have been restated as described in Note 3.B. in order to report funds in accordance with GASB Statement No. 54.

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Fund Balances</u> 12/31/11	<u>Restated</u> <u>Fund Balances</u> 12/31/10	<u>Increase/</u> <u>(Decrease)</u>
Major funds:			
General	\$ 2,426,142	\$ 1,785,956	\$ 640,186
County Board of DD	1,972,734	1,560,301	412,433
Motor Vehicle License and Gas Tax	1,232,034	1,540,147	(308,113)
Other nonmajor governmental funds	<u>8,864,162</u>	<u>4,850,087</u>	<u>4,014,075</u>
 Total	 <u>\$ 14,495,072</u>	 <u>\$ 9,736,491</u>	 <u>\$ 4,758,581</u>

General Fund

The County's general fund balance increased \$640,186. The tables that follow assist in illustrating the revenues and expenditures of the general fund. The 2010 amounts have been restated to account for the additional funds reported with the general fund in accordance with GASB Statement No. 54.

	<u>2011</u> <u>Amount</u>	<u>Restated</u> <u>2010</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 6,656,497	\$ 6,134,088	8.52 %
Charges for services	1,676,225	1,381,630	21.32 %
Licenses and permits	4,665	5,330	(12.48) %
Fines and forfeitures	96,696	109,979	(12.08) %
Intergovernmental	1,153,063	1,231,406	(6.36) %
Investment income	211,706	237,020	(10.68) %
Other	<u>136,910</u>	<u>112,874</u>	21.29 %
 Total	 <u>\$ 9,935,762</u>	 <u>\$ 9,212,327</u>	 7.85 %

Overall, revenues increased slightly compared to 2010. Taxes revenue represents 67.00% of all general fund revenues. Taxes revenue increased by 8.52% over the prior year, as both real property and sales taxes collections increased. All other revenues remained comparable to 2010.

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2011	Restated 2010	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Expenditures</u>			
General government			
Legislative and executive	\$ 3,164,392	\$ 3,035,393	4.25 %
Judicial	1,617,286	1,596,406	1.31 %
Public safety	3,175,734	2,927,844	8.47 %
Health	79,477	80,793	(1.63) %
Human services	470,623	478,297	(1.60) %
Conservation and recreation	232,446	207,858	11.83 %
Capital outlay	18,797	28,848	(34.84) %
Debt service	1,900	1,425	33.33 %
	<u> </u>	<u> </u>	
Total	<u>\$ 8,760,655</u>	<u>\$ 8,356,864</u>	4.83 %

Total general fund expenditures increased slightly in 2011. The most significant increase was for public safety, which resulted from slightly higher wages and benefits costs as well as increases in fuel, equipment and repair costs.

County Board of DD

The county board of developmentally disabled (DD) fund, a major governmental fund, had revenues of \$5,846,744 in 2011, an increase of \$523,000 or 9.82% from 2010. The DD fund had expenditures and other financing uses of \$5,434,311 in 2011, an increase of \$97,393 or 1.82% from 2010. The net changes in revenues and expenditures contributed to the DD fund balance increase of \$412,433 or 26.43% from 2010 to 2011.

Motor Vehicle License and Gas Tax Fund

The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$4,847,521 in 2011, a decrease of \$543,454 or 10.08% from 2010. The motor vehicle license and gas tax fund had expenditures of \$5,155,634 in 2011, a decrease of \$19,450 or 0.38% from 2010. The motor vehicle license and gas tax fund balance decreased \$308,113 or 20.01% from 2010 to 2011.

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 funds.

In the general fund, original budgeted revenues and other financing sources of \$8,323,835 were increased to \$8,544,515 in the final budget. Actual revenues and other financing sources of \$9,581,602 were higher than final budgeted revenues by \$1,037,087 or 12.14%. Most of this positive variance is attributable to higher than expected sales taxes and intergovernmental receipts.

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

Original budgeted expenditures and other financing uses in the general fund were \$9,143,060. This was increased to \$9,371,739 in the final budget. Actual expenditures and other financing uses of \$8,809,722 were \$562,017 lower than final budgeted expenditures and financing uses. Most departments in the general fund had a positive budget variance, most notably the programs for judicial expenditures, which were \$221,351 below the final budgeted amount.

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.

Capital Assets and Debt Administration

Capital Assets

At the end of 2011, the County had \$48,405,722 (net of accumulated depreciation) invested in land, buildings and improvements, furniture, fixtures and equipment, vehicles, construction in progress, sewer mains and infrastructure. Of this total, \$25,425,000 was reported in governmental activities and \$22,980,722 was reported in business-type activities. The following table shows fiscal year 2011 balances compared to 2010:

Capital Assets at December 31 (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 1,007,088	\$ 843,613	\$ 700,423	\$ 1,068,963	\$ 1,707,511	\$ 1,912,576
Land improvements	70,330	50,507	336,772	370,861	407,102	421,368
Building and improvements	8,064,979	9,864,648	10,746,930	11,296,633	18,811,909	21,161,281
Furniture, fixtures and equipment	1,285,277	724,493	2,592,134	2,792,249	3,877,411	3,516,742
Vehicles	1,299,250	1,190,838	-	-	1,299,250	1,190,838
Infrastructure	13,656,012	13,606,619	-	-	13,656,012	13,606,619
Sewer/water lines	-	-	2,488,816	2,601,647	2,488,816	2,601,647
Construction in progress	42,064	42,064	6,115,647	3,501,283	6,157,711	3,543,347
Total	<u>\$ 25,425,000</u>	<u>\$ 26,322,782</u>	<u>\$ 22,980,722</u>	<u>\$ 21,631,636</u>	<u>\$ 48,405,722</u>	<u>\$ 47,954,418</u>

See Note 9 to the basic financial statements for detail on the County's capital assets.

The County's largest governmental activities capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 53.71% of the County's total governmental capital assets.

The County's fourth 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 10.83% of the County's total business-type capital assets.

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

Debt Administration

At December 31, 2011 the County had \$5,385,000 in general obligation bonds, \$391,822 in capital lease obligations, \$2,320,500 in revenue bonds, \$2,556,000 in USDA loans, \$1,075,000 in notes payable and OPWC loans of \$1,161,890 outstanding. Of this total, \$796,537 is due within one year and \$12,093,675 is due in more than one year.

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

	Outstanding Debt, at Year End			
	Governmental Activities 2011	Business-Type Activities 2011	Governmental Activities 2010	Business-Type Activities 2010
Long-Term Obligations				
General obligation bonds	\$ 5,385,000	\$ -	\$ 3,105,000	\$ -
Capital lease obligation	5,783	386,039	7,160	490,202
Revenue bonds	-	2,320,500	-	2,366,500
USDA loan	-	2,556,000	-	1,844,746
Notes payable	-	1,075,000	-	1,125,000
OPWC loans	-	1,161,890	-	874,840
Total	<u>\$ 5,390,783</u>	<u>\$ 7,499,429</u>	<u>\$ 3,112,160</u>	<u>\$ 6,701,288</u>

The County's voted legal debt margin was \$15,009,750 at December 31, 2011 and the unvoted legal debt margin was \$4,979,761 at December 31, 2011. See Note 12 to the basic financial statements for detail on governmental activities and business-type activities long-term obligations.

Economic Factors and Next Year's Budgets and Rates

The County's current population as of the 2010 census is 42,366. At the end of 2011, the County's unemployment rate was 4.9%, compared to the 7.6% State average and the 8.3% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2012. Budgeted revenues and other financing sources in the general fund for fiscal year 2012 budget were \$8,385,555, as of the first amended certificate of estimated resources. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

Contacting the County's Financial Management

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

HOLMES COUNTY, OHIO

STATEMENT OF NET ASSETS
 DECEMBER 31, 2011
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Lynn Hope Industries, Inc.	Holmes County Airport Authority	Regional Planning Commission
Assets:						
Equity in pooled cash and cash equivalents . . .	\$ 13,575,701	\$ 946,691	\$ 14,522,392	\$ -	\$ -	\$ 22,685
Cash and cash equivalents						
in segregated accounts	12,516	2,277,582	2,290,098	140,119	464,433	-
Investments in segregated accounts	-	684,929	684,929	-	-	-
Receivables (net of allowance for uncollectibles):						
Sales taxes	1,443,272	-	1,443,272	-	-	-
Real estate and other taxes	5,877,918	-	5,877,918	-	-	-
Accounts	165,864	4,041,955	4,207,819	22,239	482	500
Accrued interest	110	-	110	-	-	-
Due from other governments	3,327,828	-	3,327,828	-	-	-
Notes and loans	-	18,606	18,606	-	-	-
Due from primary government	-	-	-	-	-	92
Prepayments	106,541	365,083	471,624	-	2,204	-
Materials and supplies inventory	765,420	510,883	1,276,303	-	-	-
Unamortized bond issue costs	170,445	-	170,445	-	-	-
Assets limited as to use	-	5,909,993	5,909,993	-	-	-
Other assets	-	-	-	451	-	-
Capital assets:						
Land and construction in progress	1,049,152	6,816,070	7,865,222	-	978,905	-
Depreciable capital assets, net	24,375,848	16,164,652	40,540,500	5,800	324,419	-
Total capital assets, net	25,425,000	22,980,722	48,405,722	5,800	1,303,324	-
Total assets	50,870,615	37,736,444	88,607,059	168,609	1,770,443	23,277
Liabilities:						
Accounts payable	552,653	586,257	1,138,910	53	4,068	-
Contracts payable	-	66,553	66,553	-	3,775	-
Accrued wages and benefits payable	540,776	1,261,725	1,802,501	-	-	5,431
Due to other governments	298,107	4,845	302,952	-	-	2,491
Other accrued expenses	-	45,962	45,962	497	-	-
Due to component units	92	-	92	-	-	-
Accrued interest payable	10,990	83,133	94,123	-	-	-
Unearned revenue	5,615,880	-	5,615,880	-	-	-
Long-term liabilities:						
Due within one year	3,690,176	332,638	4,022,814	15,163	-	5,837
Due in more than one year	7,407,806	7,194,393	14,602,199	97,357	-	8,143
Total liabilities	18,116,480	9,575,506	27,691,986	113,070	7,843	21,902
Net assets:						
Invested in capital assets, net						
of related debt	22,702,557	15,481,293	38,183,850	5,800	1,303,324	-
Restricted for:						
Capital projects	2,930,709	-	2,930,709	-	-	-
Debt service	170,564	-	170,564	-	-	-
Public works projects	2,976,327	-	2,976,327	-	-	-
Public safety programs	776,269	-	776,269	-	-	-
Human services programs	5,506,060	-	5,506,060	-	-	-
General operations	1,121,886	-	1,121,886	-	-	-
Other purposes	86,263	733,368	819,631	-	-	-
Unrestricted (deficit)	(3,516,500)	11,946,277	8,429,777	49,739	459,276	1,375
Total net assets	\$ 32,754,135	\$ 28,160,938	\$ 60,915,073	\$ 55,539	\$ 1,762,600	\$ 1,375

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2011
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Legislative and executive	\$ 4,623,230	\$ 2,633,104	\$ 179,113	\$ 333,349
Judicial	1,818,661	357,200	65,285	-
Public safety	3,939,949	291,143	527,222	-
Public works	5,699,451	429,362	4,105,086	567,530
Health	253,226	173,121	-	-
Human services	12,281,887	1,978,273	7,018,702	50,000
Conservation and recreation	232,446	-	-	-
Interest and fiscal charges	146,958	153,676	-	-
Total governmental activities	<u>28,995,808</u>	<u>6,015,879</u>	<u>11,895,408</u>	<u>950,879</u>
Business-type activities:				
Sewer District	1,157,649	932,024	-	2,355,444
County Disposal	7,771	-	-	-
Joel Pomerene Hospital	30,849,290	29,852,231	-	-
Total business-type activities	<u>32,014,710</u>	<u>30,784,255</u>	<u>-</u>	<u>2,355,444</u>
Total primary government	<u>\$ 61,010,518</u>	<u>\$ 36,800,134</u>	<u>\$ 11,895,408</u>	<u>\$ 3,306,323</u>
Component units:				
Lynn Hope Industries, Inc.	\$ 359,485	\$ 108,606	\$ 277,525	\$ -
Holmes County Airport Authority	260,247	97,059	-	397,015
Regional Planning Commission	169,087	36,841	112,300	-
Total component units	<u>\$ 788,819</u>	<u>\$ 242,506</u>	<u>\$ 389,825</u>	<u>\$ 397,015</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

Transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Lynn Hope Industries, Inc.	Holmes County Airport Authority	Regional Planning Commission
\$ (1,477,664)	\$ -	\$ (1,477,664)	\$ -	\$ -	\$ -
(1,396,176)	-	(1,396,176)	-	-	-
(3,121,584)	-	(3,121,584)	-	-	-
(597,473)	-	(597,473)	-	-	-
(80,105)	-	(80,105)	-	-	-
(3,234,912)	-	(3,234,912)	-	-	-
(232,446)	-	(232,446)	-	-	-
6,718	-	6,718	-	-	-
<u>(10,133,642)</u>	<u>-</u>	<u>(10,133,642)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	2,129,819	2,129,819	-	-	-
-	(7,771)	(7,771)	-	-	-
-	(997,059)	(997,059)	-	-	-
<u>-</u>	<u>1,124,989</u>	<u>1,124,989</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(10,133,642)</u>	<u>1,124,989</u>	<u>(9,008,653)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	26,646	-	-
-	-	-	-	233,827	-
-	-	-	-	-	(19,946)
<u>-</u>	<u>-</u>	<u>-</u>	<u>26,646</u>	<u>233,827</u>	<u>(19,946)</u>
2,397,073	-	2,397,073	-	-	-
2,625,033	-	2,625,033	-	-	-
835,750	-	835,750	-	-	-
5,071,253	-	5,071,253	-	-	-
905,666	-	905,666	-	-	-
211,697	67,909	279,606	1,816	2,260	-
136,510	934,536	1,071,046	-	1,499	782
<u>12,182,982</u>	<u>1,002,445</u>	<u>13,185,427</u>	<u>1,816</u>	<u>3,759</u>	<u>782</u>
<u>(4,633,773)</u>	<u>4,633,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2,584,433)	6,761,207	4,176,774	28,462	237,586	(19,164)
35,338,568	21,399,731	56,738,299	27,077	1,525,014	20,539
<u>\$ 32,754,135</u>	<u>\$ 28,160,938</u>	<u>\$ 60,915,073</u>	<u>\$ 55,539</u>	<u>\$ 1,762,600</u>	<u>\$ 1,375</u>

HOLMES COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<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>
Assets:					
Equity in pooled cash and cash equivalents	\$ 2,180,232	\$ 2,117,472	\$ 515,594	\$ 8,762,403	\$ 13,575,701
Cash and cash equivalents in segregated accounts	-	-	-	12,516	12,516
Receivables (net of allowance for uncollectibles):					
Sales taxes	1,313,972	-	-	129,300	1,443,272
Real estate and other taxes	2,324,363	2,707,490	-	846,065	5,877,918
Accounts	57,999	13,484	1,466	92,915	165,864
Accrued interest	110	-	-	-	110
Due from other funds	17,854	-	-	-	17,854
Due from other governments	458,751	255,055	2,000,380	613,642	3,327,828
Prepayments	79,562	6,403	845	19,731	106,541
Materials and supplies inventory	75,500	17,747	652,570	19,603	765,420
Total assets	<u>\$ 6,508,343</u>	<u>\$ 5,117,651</u>	<u>\$ 3,170,855</u>	<u>\$ 10,496,175</u>	<u>\$ 25,293,024</u>
Liabilities:					
Accounts payable	\$ 136,736	\$ 60,203	\$ 13,929	\$ 341,785	\$ 552,653
Accrued wages and benefits payable	198,365	125,400	63,489	153,522	540,776
Compensated absences payable	-	9,489	6,225	-	15,714
Due to other funds	-	-	-	17,854	17,854
Due to other governments	104,743	69,899	44,756	78,709	298,107
Due to component units	-	-	-	92	92
Deferred revenue	1,392,357	326,046	1,810,422	228,051	3,756,876
Unearned revenue	2,250,000	2,553,880	-	812,000	5,615,880
Total liabilities	<u>4,082,201</u>	<u>3,144,917</u>	<u>1,938,821</u>	<u>1,632,013</u>	<u>10,797,952</u>
Fund balances:					
Nonspendable	210,109	24,150	653,415	39,334	927,008
Restricted	-	1,948,584	578,619	8,643,275	11,170,478
Committed	298,405	-	-	193,086	491,491
Assigned	1,371,250	-	-	-	1,371,250
Unassigned (deficit)	546,378	-	-	(11,533)	534,845
Total fund balances	<u>2,426,142</u>	<u>1,972,734</u>	<u>1,232,034</u>	<u>8,864,162</u>	<u>14,495,072</u>
Total liabilities and fund balances	<u>\$ 6,508,343</u>	<u>\$ 5,117,651</u>	<u>\$ 3,170,855</u>	<u>\$ 10,496,175</u>	<u>\$ 25,293,024</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

Total governmental fund balances	\$	14,495,072
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		25,425,000
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Sales taxes receivable	\$ 981,531	
Real estate and other taxes receivable	262,038	
Intergovernmental receivable	2,496,618	
Accounts receivable	16,689	
Total	3,756,876	3,756,876
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	(5,385,000)	
Landfill closure and postclosure care liability	(4,514,240)	
Capital lease payable	(5,783)	
Compensated absences payable	(1,075,140)	
Accrued interest payable	(10,990)	
Total	(10,991,153)	(10,991,153)
Unamortized bond issuance costs are amortized over the life of the bonds on the statement of net assets.		170,445
Unamortized premiums on bond issuances are not recognized in the governmental funds.		(102,105)
Net assets of governmental activities	\$	32,754,135

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, 2011
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	General	County Board of DD	Motor Vehicle License and Gas Tax	Other Governmental Funds	Total Governmental Funds
Revenues:					
Real and other taxes	\$ 2,259,971	\$ 2,639,848	\$ -	\$ 839,882	\$ 5,739,701
Sales taxes	4,396,526	-	-	504,873	4,901,399
Charges for services	1,676,225	348,815	152,727	2,621,418	4,799,185
Licenses and permits	4,665	-	-	206,217	210,882
Fines and forfeitures	96,696	-	23,042	150,321	270,059
Intergovernmental	1,153,063	2,679,870	4,529,498	5,227,626	13,590,057
Investment income	211,706	1,485	2,975	5,031	221,197
Rental income	3,835	-	-	165,195	169,030
Contributions and donations	-	6,617	86,086	3,933	96,636
Other	133,075	170,109	17,571	422,714	743,469
Total revenues	<u>9,935,762</u>	<u>5,846,744</u>	<u>4,811,899</u>	<u>10,147,210</u>	<u>30,741,615</u>
Expenditures:					
Current:					
General government:					
Legislative and executive	3,164,392	-	-	1,343,330	4,507,722
Judicial	1,617,286	-	-	155,266	1,772,552
Public safety	3,175,734	-	-	578,765	3,754,499
Public works	-	-	5,155,634	143,810	5,299,444
Health	79,477	-	-	171,032	250,509
Human services	470,623	5,248,311	-	6,031,025	11,749,959
Conservation and recreation	232,446	-	-	-	232,446
Capital outlay	18,797	-	-	460,178	478,975
Debt service:					
Principal retirement	1,377	-	-	405,000	406,377
Interest and fiscal charges	523	-	-	147,118	147,641
Bond issuance costs	-	-	-	173,324	173,324
Total expenditures	<u>8,760,655</u>	<u>5,248,311</u>	<u>5,155,634</u>	<u>9,608,848</u>	<u>28,773,448</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,175,107</u>	<u>598,433</u>	<u>(343,735)</u>	<u>538,362</u>	<u>1,968,167</u>
Other financing sources (uses):					
Bond issuance	-	-	-	5,370,000	5,370,000
Payment to refunding bond escrow agent	-	-	-	(2,685,000)	(2,685,000)
Sale of capital assets	25,241	-	35,622	323	61,186
Transfers in	-	-	-	746,162	746,162
Transfers (out)	(560,162)	(186,000)	-	(58,552)	(804,714)
Premium on bond issuance	-	-	-	102,780	102,780
Total other financing sources (uses)	<u>(534,921)</u>	<u>(186,000)</u>	<u>35,622</u>	<u>3,475,713</u>	<u>2,790,414</u>
Net change in fund balances	640,186	412,433	(308,113)	4,014,075	4,758,581
Fund balances at beginning of year (restated)	<u>1,785,956</u>	<u>1,560,301</u>	<u>1,540,147</u>	<u>4,850,087</u>	<u>9,736,491</u>
Fund balances at end of year	<u>\$ 2,426,142</u>	<u>\$ 1,972,734</u>	<u>\$ 1,232,034</u>	<u>\$ 8,864,162</u>	<u>\$ 14,495,072</u>

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, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

Net change in fund balances - total governmental funds		\$ 4,758,581
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital asset additions	\$ 1,915,239	
Current year depreciation	<u>(2,537,505)</u>	
Total		(622,266)
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.		
		(644,056)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes	169,854	
Real estate and other taxes	(30,617)	
Intergovernmental revenues	158,475	
Interest revenues	(9)	
Charges for services	2,395	
Other	<u>3,435</u>	
Total		303,533
Proceeds from the issuance of bonds are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(5,370,000)
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 assets.		
		406,377
Payment to refunding bond escrow agent for the retirement of bonds is an other financing use in governmental funds but the payment reduces long-term liabilities on the statement of net assets.		
		2,685,000
Premiums on bonds issued are recognized as other financing sources in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(102,780)
Issuance costs on bonds are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		173,324
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 being reported in the statement of activities:		
Accrued interest	2,887	
Amortization of bond issuance costs	(2,879)	
Amortization of bond premiums	<u>675</u>	
Total		683
In the statement of activities, transfers of assets and liabilities from business-type activities is reported.		
Capital assets	368,540	
Landfill closure and postclosure care liability	<u>(4,943,761)</u>	
Total		(4,575,221)
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	(27,129)	
Landfill closure and postclosure care liability	<u>429,521</u>	
Total		<u>402,392</u>
Change in net assets of governmental activities		<u>\$ (2,584,433)</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, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Real and other taxes.	\$ 2,266,500	\$ 2,251,700	\$ 2,251,567	\$ (133)
Sales taxes.	3,772,000	3,872,923	4,370,503	497,580
Charges for services.	983,950	1,163,417	1,320,519	157,102
Licenses and permits	4,650	4,650	4,665	15
Fines and forfeitures	107,500	107,500	96,172	(11,328)
Intergovernmental.	847,650	768,973	1,159,147	390,174
Investment income.	230,000	230,000	214,212	(15,788)
Rental income	4,585	4,585	3,874	(711)
Other	106,000	121,544	135,702	14,158
Total revenues	<u>8,322,835</u>	<u>8,525,292</u>	<u>9,556,361</u>	<u>1,031,069</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	3,946,923	4,094,944	3,905,186	189,758
Judicial	1,537,432	1,498,324	1,276,973	221,351
Public safety.	2,261,027	2,329,212	2,320,243	8,969
Public works.				
Health	80,300	80,591	79,477	1,114
Human services	410,216	410,060	269,235	140,825
Conservation and recreation.	223,000	232,446	232,446	-
Total expenditures	<u>8,458,898</u>	<u>8,645,577</u>	<u>8,083,560</u>	<u>562,017</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(136,063)</u>	<u>(120,285)</u>	<u>1,472,801</u>	<u>1,593,086</u>
Other financing sources (uses):				
Sale of capital assets.	1,000	19,223	25,241	6,018
Transfers (out).	<u>(684,162)</u>	<u>(726,162)</u>	<u>(726,162)</u>	<u>-</u>
Total other financing sources (uses)	<u>(683,162)</u>	<u>(706,939)</u>	<u>(700,921)</u>	<u>6,018</u>
Net change in fund balances	(819,225)	(827,224)	771,880	1,599,104
Fund balances at beginning of year (restated)	859,225	859,225	859,225	-
Prior year encumbrances appropriated . . .	7,550	7,550	7,550	-
Fund balance at end of year	<u>\$ 47,550</u>	<u>\$ 39,551</u>	<u>\$ 1,638,655</u>	<u>\$ 1,599,104</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, 2011
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Real and other taxes.	\$ 2,557,000	\$ 2,557,000	\$ 2,622,246	\$ 65,246
Charges for services.	384,911	384,911	350,609	(34,302)
Intergovernmental.	2,136,272	2,209,350	2,678,676	469,326
Investment income.	1,025	1,025	1,485	460
Contributions and donations.	21,000	21,000	6,278	(14,722)
Other	164,850	164,850	168,847	3,997
Total revenues	<u>5,265,058</u>	<u>5,338,136</u>	<u>5,828,141</u>	<u>490,005</u>
Expenditures:				
Current:				
Human services	<u>5,697,970</u>	<u>5,956,942</u>	<u>5,241,108</u>	<u>715,834</u>
Total expenditures	<u>5,697,970</u>	<u>5,956,942</u>	<u>5,241,108</u>	<u>715,834</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(432,912)</u>	<u>(618,806)</u>	<u>587,033</u>	<u>1,205,839</u>
Other financing sources (uses):				
Transfers in	20,000	20,000	-	(20,000)
Transfers (out).	<u>(100,000)</u>	<u>(186,000)</u>	<u>(186,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(80,000)</u>	<u>(166,000)</u>	<u>(186,000)</u>	<u>(20,000)</u>
Net change in fund balances	(512,912)	(784,806)	401,033	1,185,839
Fund balances at beginning of year	<u>1,613,559</u>	<u>1,613,559</u>	<u>1,613,559</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,100,647</u>	<u>\$ 828,753</u>	<u>\$ 2,014,592</u>	<u>\$ 1,185,839</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, 2011
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services.	\$ 62,000	\$ 62,000	\$ 161,580	\$ 99,580
Fines and forfeitures	24,000	24,000	23,509	(491)
Intergovernmental.	4,024,000	4,840,064	4,662,502	(177,562)
Investment income.	5,000	5,000	2,975	(2,025)
Contributions and donations.	84,000	84,000	86,086	2,086
Other	60,000	60,000	25,671	(34,329)
Total revenues	<u>4,259,000</u>	<u>5,075,064</u>	<u>4,962,323</u>	<u>(112,741)</u>
Expenditures:				
Current:				
Public works	4,762,915	5,578,978	5,230,135	348,843
Total expenditures.	<u>4,762,915</u>	<u>5,578,978</u>	<u>5,230,135</u>	<u>348,843</u>
Excess of expenditures over revenues.	<u>(503,915)</u>	<u>(503,914)</u>	<u>(267,812)</u>	<u>236,102</u>
Other financing sources:				
Sale of capital assets.	1,000	1,000	35,622	34,622
Total other financing sources.	<u>1,000</u>	<u>1,000</u>	<u>35,622</u>	<u>34,622</u>
Net change in fund balances	(502,915)	(502,914)	(232,190)	270,724
Fund balances at beginning of year	<u>747,784</u>	<u>747,784</u>	<u>747,784</u>	<u>-</u>
Fund balance at end of year	<u>\$ 244,869</u>	<u>\$ 244,870</u>	<u>\$ 515,594</u>	<u>\$ 270,724</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2011
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-type Activities - Enterprise Funds			Total
	Sewer District	Joel Pomerene Memorial Hospital	Nonmajor Enterprise Funds	
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 946,690	\$ -	\$ 1	\$ 946,691
Cash and cash equivalents in segregated accounts	-	2,277,582	-	2,277,582
Investments in segregated accounts.	-	684,929	-	684,929
Receivables (net of allowance for uncollectibles):				
Accounts	62,106	3,979,849	-	4,041,955
Notes and loans	18,606	-	-	18,606
Materials and supplies inventory.	201	510,682	-	510,883
Prepayments	421	364,662	-	365,083
Total current assets	<u>1,028,024</u>	<u>7,817,704</u>	<u>1</u>	<u>8,845,729</u>
Noncurrent assets:				
Assets limited as to use, net of current portion.	-	5,909,993	-	5,909,993
Capital assets:				
Land and construction in progress.	6,214,150	601,920	-	6,816,070
Depreciable capital assets, net.	4,278,262	11,886,390	-	16,164,652
Total capital assets, net.	<u>10,492,412</u>	<u>12,488,310</u>	<u>-</u>	<u>22,980,722</u>
Total noncurrent assets	<u>10,492,412</u>	<u>18,398,303</u>	<u>-</u>	<u>28,890,715</u>
Total assets	<u>11,520,436</u>	<u>26,216,007</u>	<u>1</u>	<u>37,736,444</u>
Liabilities:				
Current liabilities:				
Accounts payable.	48,260	537,997	-	586,257
Contracts payable.	66,553	-	-	66,553
Accrued wages and benefits payable	5,554	1,256,171	-	1,261,725
Other accrued expenses	-	45,962	-	45,962
Due to other governments	4,845	-	-	4,845
Accrued interest payable	83,133	-	-	83,133
Current portion of compensated absences payable	22,592	-	-	22,592
Current portion of notes payable	-	50,000	-	50,000
Current portion of revenue bonds payable	49,000	-	-	49,000
Current portion of OPWC loans payable	39,550	-	-	39,550
Current portion of capital lease obligation	-	171,496	-	171,496
Total current liabilities.	<u>319,487</u>	<u>2,061,626</u>	<u>-</u>	<u>2,381,113</u>
Long-term liabilities:				
Compensated absences payable	5,010	-	-	5,010
Notes payable	-	1,025,000	-	1,025,000
Revenue bonds payable.	2,271,500	-	-	2,271,500
USDA loan payable.	2,556,000	-	-	2,556,000
OPWC loans payable.	1,122,340	-	-	1,122,340
Capital lease obligation	-	214,543	-	214,543
Total long-term liabilities	<u>5,954,850</u>	<u>1,239,543</u>	<u>-</u>	<u>7,194,393</u>
Total liabilities	<u>6,274,337</u>	<u>3,301,169</u>	<u>-</u>	<u>9,575,506</u>
Net assets:				
Invested in capital assets, net of related debt	4,454,022	11,027,271	-	15,481,293
Restricted for donor specific uses.	-	733,368	-	733,368
Unrestricted	<u>792,077</u>	<u>11,154,199</u>	<u>1</u>	<u>11,946,277</u>
Total net assets.	<u>\$ 5,246,099</u>	<u>\$ 22,914,838</u>	<u>\$ 1</u>	<u>\$ 28,160,938</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-type Activities - Enterprise Funds			Total
	Sewer District	Joel Pomerene Memorial Hospital	Nonmajor Enterprise Funds	
Operating revenues:				
Charges for services	\$ 932,024	\$ 29,852,231	\$ -	\$ 30,784,255
Other	9,071	925,465	-	934,536
Total operating revenues.	<u>941,095</u>	<u>30,777,696</u>	<u>-</u>	<u>31,718,791</u>
Operating expenses:				
Personal services	164,207	15,887,876	-	16,052,083
Contract services.	599,379	-	-	599,379
Materials and supplies.	26,804	8,279,098	7,771	8,313,673
Depreciation.	213,187	1,357,732	-	1,570,919
Medical professional fees	-	5,298,383	-	5,298,383
Other	7,591	26,201	-	33,792
Total operating expenses.	<u>1,011,168</u>	<u>30,849,290</u>	<u>7,771</u>	<u>31,868,229</u>
Operating loss	<u>(70,073)</u>	<u>(71,594)</u>	<u>(7,771)</u>	<u>(149,438)</u>
Nonoperating revenues (expenses):				
Interest revenue	1,365	66,544	-	67,909
Interest and fiscal charges	(146,481)	-	-	(146,481)
Total nonoperating revenues (expenses)	<u>(145,116)</u>	<u>66,544</u>	<u>-</u>	<u>(78,572)</u>
Loss before capital contributions and transfers .	(215,189)	(5,050)	(7,771)	(228,010)
Transfer in	-	-	4,641,773	4,641,773
Transfer out	(8,000)	-	-	(8,000)
Capital contributions.	<u>2,355,444</u>	<u>-</u>	<u>-</u>	<u>2,355,444</u>
Change in net assets	2,132,255	(5,050)	4,634,002	6,761,207
Net assets (deficit) at beginning of year	<u>3,113,844</u>	<u>22,919,888</u>	<u>(4,634,001)</u>	<u>21,399,731</u>
Net assets at end of year	<u>\$ 5,246,099</u>	<u>\$ 22,914,838</u>	<u>\$ 1</u>	<u>\$ 28,160,938</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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HOLMES COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-type Activities - Enterprise Funds			Total
	Sewer District	Joel Pomerene Memorial Hospital	Nonmajor Enterprise Funds	
Cash flows from operating activities:				
Cash received from sales/service charges	\$ 944,043	\$ 29,962,312	\$ -	\$ 30,906,355
Cash received from other operating revenue	9,071	934,465	-	943,536
Cash payments for personal services	(155,666)	(15,833,185)	-	(15,988,851)
Cash payments for contract services.	(586,564)	-	-	(586,564)
Cash payments for materials and supplies.	(30,154)	(13,602,810)	-	(13,632,964)
Cash payments for other expenses.	(7,591)	-	-	(7,591)
Net cash provided by operating activities.	173,139	1,460,782	-	1,633,921
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	58,552	58,552
Cash payments to other funds	-	-	(58,552)	(58,552)
Net cash provided by noncapital financing activities.	-	-	-	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(4,088,175)	(606,233)	-	(4,694,408)
Cash received from grants.	2,355,444	-	-	2,355,444
Cash received from USDA and OPWC loans.	1,013,479	-	-	1,013,479
Principal payments on capital lease obligations.	-	(159,231)	-	(159,231)
Principal payments on bonds, notes and loans	(61,175)	(50,000)	-	(111,175)
Interest payments on bonds, notes and loans	(148,015)	-	-	(148,015)
Net cash used in capital and related financing activities.	(928,442)	(815,464)	-	(1,743,906)
Cash flows from investing activities:				
Cash received from interest	1,365	44,416	-	45,781
Change in investments and assets whose use is limited	-	22,128	-	22,128
Repayments from notes receivable	5,505	-	-	5,505
Net cash provided by investing activities	6,870	66,544	-	73,414
Net increase (decrease) in cash and cash equivalents	(748,433)	711,862	-	(36,571)
Cash and cash equivalents at beginning of year (restated).	1,695,123	8,160,642	1	9,855,766
Cash and cash equivalents at end of year	<u>\$ 946,690</u>	<u>\$ 8,872,504</u>	<u>\$ 1</u>	<u>\$ 9,819,195</u>
Cash and cash equivalents include the following:				
Cash and cash equivalents.	\$ 946,690	\$ 2,277,582	\$ 1	\$ 3,224,273
Investments in cash and cash equivalents	-	684,929	-	684,929
Assets limited as to use cash and cash equivalents:				
Board designated for future capital improvements	-	5,850,297	-	5,850,297
Funds available for future construction and equipment	-	59,696	-	59,696
Total cash and cash equivalents	<u>\$ 946,690</u>	<u>\$ 8,872,504</u>	<u>\$ 1</u>	<u>\$ 9,819,195</u>

HOLMES COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2011
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Sewer District</u>	<u>Joel Pomerene Memorial Hospital</u>	<u>Nonmajor Enterprise Fund</u>	
Reconciliation of operating loss to net cash provided by operating activities:				
Operating loss	\$ (70,073)	\$ (71,594)	\$ (7,771)	\$ (149,438)
Adjustments:				
Depreciation.	213,187	1,357,732	-	1,570,919
Changes in assets and liabilities:				
Decrease in accounts receivable.	12,019	55,499	-	67,518
Decrease in inventories	6	30,615	-	30,621
(Increase) decrease in prepayments.	(421)	(83,423)	7,771	(76,073)
Increase in third party settlements.	-	63,582	-	63,582
Increase in accounts payable	8,899	59,512	-	68,411
Increase in accrued wages and benefits.	87	-	-	87
Increase in other accrued expenses.	-	48,859	-	48,859
Increase in due to other governments.	1,218	-	-	1,218
Increase in compensated absences payable.	8,217	-	-	8,217
Net cash provided by operating activities	<u>\$ 173,139</u>	<u>\$ 1,460,782</u>	<u>\$ -</u>	<u>\$ 1,633,921</u>
Non-cash transactions:				
Capital assets acquired on account at:				
December 31, 2011	\$ 75,065	\$ -	\$ -	\$ 75,065
December 31, 2010	1,535,996	-	-	1,535,996
Capital assets acquired under capital leases	-	55,068	-	55,068

During 2011, the County Disposal nonmajor enterprise fund was closed out. This required a transfer in from governmental activities of \$4,575,221 to report capital assets and the landfill closure and postclosure care liability in the amounts of \$368,540 and \$4,943,761, respectively, in governmental activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,302,456
Cash and cash equivalents in segregated accounts	546,515
Receivables:	
Real estate and other taxes	28,045,538
Accounts	168,006
Accrued interest.	30
Due from other governments	<u>1,822,665</u>
Total assets	<u>\$ 34,885,210</u>
Liabilities:	
Accounts payable	\$ 141,053
Accrued wages and benefits	9,134
Due to other governments	822,094
Undistributed monies	<u>33,912,929</u>
Total liabilities	<u>\$ 34,885,210</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

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 County also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided it does not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB guidance issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The County has elected not to apply this FASB guidance.

The Joel Pomerene Memorial Hospital enterprise fund's financial information is presented in conformity with GAAP as applied to governmental hospitals and local governmental units. Pursuant to GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the Hospital has elected to apply the provisions of the FASB Accounting Standards Codification that do not conflict with or contradict GASB pronouncements.

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

A. Reporting Entity

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

Joel Pomerene Memorial Hospital and Joel Pomerene Foundation (Hospital)

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

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

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

DISCRETELY PRESENTED COMPONENT UNITS

Holmes County Regional Planning Commission (Commission)

The Commission is governed by an eleven member Board, of which seven are appointed by the County. The County provides ongoing financial support to the Commission; resulting in the Commission imposing a financial burden on the County. Therefore, the Commission has been included as a component unit of the County. Separate financial statements can be obtained from the Commission, County Administration Building, Millersburg, Ohio 44654.

Holmes County Airport Authority (Airport Authority)

The Airport Authority Board consists of seven members which are appointed by the County Commissioners of Holmes County. The County provides ongoing financial support to the Airport Authority; resulting in the Airport Authority imposing a financial burden on the County. Therefore, the Airport Authority has been included as a component unit of the County. Separate financial statements can be obtained from Holmes County Airport Authority, County Administration Building, Millersburg, Ohio 44654.

Lynn Hope Industries, Inc. (Workshop)

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

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component units is identified in Notes 26, 27 and 28.

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

JOINT VENTURES WITHOUT EQUITY INTEREST

Alcohol, Drug Addiction and Mental Health Services Board of Wayne and Holmes Counties (Board)

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

JOINTLY GOVERNED ORGANIZATIONS

Multi-County Juvenile Attention Center (Center)

The Multi-County Juvenile Attention Center is a jointly governed organization among Holmes, Tuscarawas, Carroll, Wayne, Stark and Columbiana Counties formed for the purpose of providing facilities for the training, treatment, and rehabilitation of delinquent, dependent, abused or neglected children. The operation of the Center is controlled by a joint Board of Commissioners whose membership consists of the three commissioners from each participating county. The Board exercises total control over the operation of the Center including budgeting, appropriating, contracting and designating management. Budgets are adopted by the Governing Board of commissioners. Each County's degree of control is limited to its representation on the Board. In 2011, the County contributed \$235,000 to the Center.

Stark Regional Community Corrections Center (SRCCC)

The SRCCC is a community based corrections facility that provides residents of the facility with educational, vocational, substance abuse and support counseling services. The facility is administered by a Judicial Corrections Board consisting of eleven common pleas court judges. The members consist of one judge from Holmes County, two judges each from Wayne and Tuscarawas Counties, and six judges from Stark County. The Board adopts its own budget, authorizes expenditures and hires and fires its own staff. SRCCC did not receive any funding from the County during 2011.

Holmes County Family and Children First Council (Council)

The mission of the Council is to promote and facilitate collaboration among community agencies serving children and their families and to unite the community in promoting the well-being of children and their families through leadership advocacy, and coordination of services. The Board of Trustees is made up of 18 individuals from various organizations including 5 from the County. The Council did not receive any funding from the County during 2011.

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

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 2011, the County paid \$23,984 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.

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 2011 was \$188,986.

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

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

RELATED ORGANIZATIONS

Holmes County Public Library (Library)

The Library provides services aimed at enriching the lives of the citizens of the County through an informed and connected community. The County appoints the governing board of the Library; however, the County cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden on the County. The County serves in a ministerial capacity as taxing authority for the Library. Once the Library Board determines to present a levy to the voters, including the determination of its rate and duration, the County must place the levy on the ballot. The Library determines its own budget. The Library did not receive any funding from the County in 2011.

Holmes County Park District (District)

The District provides conservation and recreation programs for the benefit of the County's citizens. The three Park District Commissioners are appointed by the Probate Judge of the County. The District hires and fires its own staff, and does not rely on the County to finance deficits. The County is not financially accountable for the District or is the District financially dependent on the County. The District serves as its own taxing and debt issuance authority. The District did not receive any funding from the County in 2011.

Northeast Ohio Outreach Network (Network)

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

B. Fund Accounting

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

The following are the County's major governmental funds:

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

County Board of Developmental Disabilities (DD) - This fund accounts for the operation of a school and resident homes for the developmentally disabled. Revenue sources include a property tax levy and federal/State grants.

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

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

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The County has no internal service funds.

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

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

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. 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 and gasoline and license tax.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets 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.

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 current liabilities, 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.

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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 revenue, and in the presentation of expenses versus expenditures.

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

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

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Sales taxes and accounts receivable not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2011, are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

E. Budgetary Data

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

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

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

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the original and final amended certificates issued during 2011.

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 2011 are included in the final budget amounts in the budget-to-actual comparisons.

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

F. Cash 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.

During 2011, investments were limited to certificates of deposit, mutual funds, U.S. government obligations, common stock, corporate notes and equity securities. The investments in mutual funds and common stock are reported at fair value. The common stock is not traded on a quoted market; therefore, the year end fair value is determined as the average of the high and low sales price for the last quarter of 2011. For the money market mutual fund, fair value is determined by the fund's shares price at December 31, 2011. 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 2011 amounted to \$211,706 which includes \$188,057 assigned from other County funds.

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

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

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.

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

G. Patient Accounts Receivable and Revenue

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

In 2011, approximately 22 percent of the Hospital's total patient revenue was derived from Medicare payments while approximately 14 percent was derived from Medicaid payments. Additionally, approximately 25 percent of the Hospital's total patient revenue was derived from individual self-payments in 2011. The remaining revenue was derived primarily from commercial insurance payments.

H. Inventories of Materials and Supplies

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

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

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

I. Capital Assets

Governmental capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, 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 assets and in the respective funds.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

The County maintains a capitalization threshold of \$5,000. The County's infrastructure consists of roads, bridges, culverts and sanitary sewers. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacements. The County depreciates its capital assets using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Improvements other than buildings	10 - 20 years	10 - 20 years
Buildings and improvements	20 - 40 years	20 - 40 years
Furniture, fixtures, machinery and equipment	4 - 7 years	5 years
Vehicles	10 years	10 years
Sewer/water lines	-	40 years
Infrastructure	20 - 50 years	20 - 50 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period.

Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset. For 2011, the net interest expense incurred on proprietary fund construction projects was not material.

J. Compensated Absences

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

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

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, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "vesting" method. The County records a liability for accumulated unused sick leave for employees after 13 years of current service.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2011, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

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

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

L. Accrued Liabilities and Long-term Obligations

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

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

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Third-Party Settlements

The Hospital has agreements with Medicare and Medicaid that provide for reimbursement at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payers. The Hospital has reached final settlement with Medicare through 2009 and Medicaid through 2005.

N. Assets Limited as to Use

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

O. Interfund Transactions

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

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

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

P. Fund Balance

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

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

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

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

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

Q. Charity Care

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

R. Estimates

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

S. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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. Net assets are 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 assets are available.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County Commissioners and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the County has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the County.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the County's governmental fund balances as previously reported:

	<u>General</u>	<u>County Board of DD</u>	<u>Motor Vehicle License and Gas Tax</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 1,581,962	\$ 1,560,301	\$ 1,540,147	\$ 5,054,081	\$ 9,736,491
Fund reclassifications:					
I.T. computer	7,699	-	-	(7,699)	-
Employee expended	149,637	-	-	(149,637)	-
Recorder's equipment	9,337	-	-	(9,337)	-
Certificate of title	40,624	-	-	(40,624)	-
Jail kitchen	(2,707)	-	-	2,707	-
Pre-disaster mitigation	(596)	-	-	596	-
Total fund reclassifications	<u>203,994</u>	<u>-</u>	<u>-</u>	<u>(203,994)</u>	<u>-</u>
Restated fund balance at January 1, 2011	<u>\$ 1,785,956</u>	<u>\$ 1,560,301</u>	<u>\$ 1,540,147</u>	<u>\$ 4,850,087</u>	<u>\$ 9,736,491</u>

The fund reclassifications did not have an effect on net assets as previously reported.

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Budgetary Prior Period Adjustment

In prior years the general fund included certain funds that are legally budgeted in separate funds on a budgetary basis. The County has elected to report only the legally budgeted general fund and major special revenue funds in the budgetary statements; therefore, a restatement to the beginning budgetary balance for the general fund is required. The restatement of the general fund's budgetary-basis fund balance at December 31, 2010 is as follows:

	<u>General Fund</u>
Balance at December 31, 2010	\$ 1,231,331
Funds budgeted elsewhere	<u>(372,106)</u>
Restated balance at January 1, 2011	<u>\$ 859,225</u>

D. Deficit Fund Balances

Fund balances at December 31, 2011 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor governmental funds</u>	
Child neglect and abuse	\$ 4,853
Delinquent real estate	737
State victim assistance grants	4,080
Law library resources	1,386

Other than the child neglect and abuse fund and State victim assistance grants fund, these funds complied with State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances/net assets resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (State Treasury Asset Reserve of Ohio);
7. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies;
8. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and,
9. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the County Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer, by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

A. Unrecorded Cash

At year end, the County had \$8,154 in unrecorded cash which is included on the financial statements as part of "equity in pooled cash and cash equivalents".

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Cash on Hand

At year end, the County had \$275,179 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, 2011, the carrying amount of all County deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$27,329,416. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2011, \$24,287,578 of the County’s bank balance of \$27,722,799 was exposed to custodial risk as discussed below, while \$3,435,221 was covered by the FDIC.

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

D. Investments

The County had the following investments and maturities. This table also shows the percentage of each investment type held by the County at December 31, 2011:

Moody's	S&P	Morning Star	Investment type	Fair Value	Investment Maturities		Percent of Total
					Less than 1 year	Less than 5 years	
N/A-1	N/A-1	N/A-1	Commercial Savings Bank common stock	\$ 143,648	N/A-3	N/A-3	21.56%
N/A-1	N/A-1	N/A-1	Killbuck Savings Bank common stock	179,042	N/A-3	N/A-3	26.87%
N/A-1	N/A-1	N/A-1	Newell-Rubbermaid common stock	2,293	N/A-3	N/A-3	0.34%
N/A-2	N/A-2	N/A-2	U.S. Treasury bonds	59,161	8,136	-	8.88%
Aa2	AA+		GE Capital Corp notes	10,067	10,067	-	1.51%
		3 star rating	Federated mutual funds - equity	55,874	N/A-3	N/A-3	8.39%
		3 star rating	Fidelity mutual funds - equity	25,807	N/A-3	N/A-3	3.87%
		3 star rating	T. Rowe Price small cap stock	84,765	N/A-3	N/A-3	12.72%
		3 star rating	Vanguard mutual funds - equity	80,662	N/A-3	N/A-3	12.11%
N/A-1	N/A-1	N/A-1	Ohio hospital association stock	25,000	N/A-3	N/A-3	3.75%
			Total	<u>\$ 666,319</u>	<u>\$ 18,203</u>	<u>\$ -</u>	<u>100.00%</u>

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

Credit Risk: State law limits investments in commercial paper and corporate bonds to the top two ratings issued by the nationally recognized statistical rating organizations (NRSROs). It is the government's policy to limit its investments in these investment types to the top two ratings issued by NRSROs. The County had no investments on their books as of December 31, 2011. The above investments and related credit risks are those of the Hospital.

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

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

E. Reconciliation of Cash and Investments to the Statement of Net Assets

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 assets as of December 31, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 27,329,416
Investments	666,319
Unrecorded cash	8,154
Cash on hand	275,179
Total	<u>\$ 28,279,068</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 13,588,217
Business-type activities	9,819,195
Component unit*	22,685
Agency	4,848,971
Total	<u>\$ 28,279,068</u>

*Cash and cash equivalents of the Holmes County Regional Planning Commission are pooled and invested by the County (See Note 24 for detail). Cash and cash equivalents of Lynn Hope Industries, Inc. and the Holmes County Airport Authority are held separate from the County (See Notes 27 and 28, respectively, for detail) and are reported on the financial statements as "cash and cash equivalents in segregated accounts."

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2011, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 560,162
<u>Transfers from county board of DD fund to:</u>	
Nonmajor governmental funds	186,000
<u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor enterprise funds	58,552
<u>Transfers from sewer district fund to:</u>	
Nonmajor enterprise funds	<u>8,000</u>
Total	<u>\$ 812,714</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 County disposal nonmajor enterprise fund received a transfer from the governmental activities in the amount of \$4,575,221 in order to transfer the residual assets and liabilities of the fund to the governmental activities to close out the fund. Transfers between governmental funds are eliminated for reporting on the statement of activities.

- B.** Due from/to other funds consisted of the following at December 31, 2011, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Child neglect and abuse	\$ 4,853
General	State victims assistance grants	4,151
General	Community development	8,850

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding 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. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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, 2011 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2011 was \$11.55 per \$1,000 of assessed value. The total assessed value of personal property upon which 2011 property tax receipts were based was \$768,655,900.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2011, consisted of taxes, accounts (billings for user charged services), interfund receivables, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the balance sheets and statement of net assets and all interfund receivables have been classified as "due from other funds" on the balance sheets and statement of net assets. Sewer notes receivable have been recorded as described in Note 2.D. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 7 - RECEIVABLES - (Continued)

A. Permissive Sales and Use Tax

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

Amounts that have been collected by the State and that are to be received within the available period are accrued as revenue on the fund financial statements. Each month, the sales tax revenue is allocated to three funds. The debt service fund receives \$34,100, the capital improvements fund receives \$9,000, and the remainder is allocated to the general fund. For eight months in 2011, the landfill capital projects fund received \$11,000 a month, which was allocated from the amount the debt service fund received. Sales tax revenue for 2011 amounted to \$4,901,399 as reported on the fund financial statements.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 7 - RECEIVABLES - (Continued)

B. Intergovernmental

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

<u>General fund</u>	<u>Amount</u>
Homestead and rollback	\$ 127,500
Local government	323,495
Grants	<u>7,756</u>
Total	<u>458,751</u>
 <u>County Board of DD</u>	
Grants	116,105
Homestead and rollback	<u>138,950</u>
Total	<u>255,055</u>
 <u>Motor vehicle license and gas tax</u>	
Gasoline excise and motor vehicle license tax	<u>2,000,380</u>
Total	<u>2,000,380</u>
 <u>Nonmajor governmental funds</u>	
Public assistance	82,033
Child support enforcement	373,850
Work enforcement act	31,674
State victims assistance grants	2,280
County home	44,800
Community development	8,850
Disaster services	5,782
CHIP	51,779
Youth services	5,507
Children services	<u>7,087</u>
Total	<u>613,642</u>
Total governmental funds	<u>\$ 3,327,828</u>
 <u>Agency funds</u>	
Soil and water conservation	\$ 6,841
County public library	497,355
Gasoline and license tax	735,899
Undivided municipal permissive tax	1,424
Undivided local government	539,158
Park district	6,000
Travel and tourism	<u>35,988</u>
Total agency funds	<u>\$ 1,822,665</u>

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
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NOTE 7 - RECEIVABLES - (Continued)

C. Accounts Receivable - Enterprise Funds

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

	<u>Gross Receivable</u>	<u>Contractual Adjustments</u>	<u>Uncollectible Adjustments</u>	<u>Net Receivable</u>
Sewer district	\$ 62,106	\$ -	\$ -	\$ 62,106
Joel Pomerene Hospital	<u>7,898,878</u>	<u>(2,028,529)</u>	<u>(1,890,500)</u>	<u>3,979,849</u>
Total enterprise funds	<u>\$ 7,960,984</u>	<u>\$ (2,028,529)</u>	<u>\$ (1,890,500)</u>	<u>\$ 4,041,955</u>

D. Sewer Notes Receivable

The sewer district financed access fees for the Berlin wastewater treatment facility. The amounts owed to the sewer district for these services are recorded as "notes and loans receivable" on the financial statements. During 2011, the County received principal and interest payments of \$5,505 and \$1,365, respectively. As of December 31, 2011, there was \$18,606 in notes receivable.

NOTE 8 - NET CHARGE FOR SERVICE REVENUE

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

	<u>Sewer District</u>	<u>Joel Pomerene Hospital</u>	<u>Charges for Services Total</u>
Gross charges for service revenue	\$ 932,024	\$ 58,580,314	\$ 59,512,338
Revenue deductions:			
Provision for contractual allowances	-	(26,357,735)	(26,357,735)
Provision for prompt payment discounts	<u>-</u>	<u>(2,370,348)</u>	<u>(2,370,348)</u>
Net charges for services revenue	<u>\$ 932,024</u>	<u>\$ 29,852,231</u>	<u>\$ 30,784,255</u>

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

<u>Governmental activities:</u>	Balance 12/31/2010	Additions	Deductions	Balance 12/31/2011
<i>Capital assets, not being depreciated:</i>				
Land	\$ 843,613	\$ 368,540	\$ (205,065)	\$ 1,007,088
Construction in progress	42,064	-	-	42,064
Total capital assets, not being depreciated	<u>885,677</u>	<u>368,540</u>	<u>(205,065)</u>	<u>1,049,152</u>
<i>Capital assets, being depreciated:</i>				
Buildings	18,197,098	8,100	(376,072)	17,829,126
Improvements other than buildings	131,775	27,358	-	159,133
Furniture, fixtures and equipment	3,409,194	764,030	(30,000)	4,143,224
Vehicles	4,157,865	277,518	(174,448)	4,260,935
Infrastructure	<u>25,800,073</u>	<u>838,233</u>	<u>-</u>	<u>26,638,306</u>
Total capital assets, being depreciated	<u>51,696,005</u>	<u>1,915,239</u>	<u>(580,520)</u>	<u>53,030,724</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(8,332,450)	(1,431,697)	-	(9,764,147)
Improvements other than buildings	(81,268)	(7,535)	-	(88,803)
Furniture, fixtures and equipment	(2,684,701)	(177,746)	4,500	(2,857,947)
Vehicles	(2,967,027)	(131,687)	137,029	(2,961,685)
Infrastructure	<u>(12,193,454)</u>	<u>(788,840)</u>	<u>-</u>	<u>(12,982,294)</u>
Total accumulated depreciation	<u>(26,258,900)</u>	<u>(2,537,505)</u>	<u>141,529</u>	<u>(28,654,876)</u>
Total capital assets, being depreciated net	<u>25,437,105</u>	<u>(622,266)</u>	<u>(438,991)</u>	<u>24,375,848</u>
Governmental activities capital assets, net	<u>\$ 26,322,782</u>	<u>\$ (253,726)</u>	<u>\$ (644,056)</u>	<u>\$ 25,425,000</u>

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
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NOTE 9 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	<u>Balance</u> 12/31/2010	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 12/31/2011
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,068,963	\$ -	\$ (368,540)	\$ 700,423
Construction in progress	<u>3,501,283</u>	<u>2,614,364</u>	<u>-</u>	<u>6,115,647</u>
Total capital assets, not being depreciated	<u>4,570,246</u>	<u>2,614,364</u>	<u>(368,540)</u>	<u>6,816,070</u>
<i>Capital assets, being depreciated:</i>				
Land improvement	976,002	-	-	976,002
Buildings and improvement	2,679,103	-	-	2,679,103
Equipment and machinery	883,279	12,880	-	896,159
Sewer/water lines	4,513,236	-	-	4,513,236
Building and fixed equipment	17,831,274	93,961	-	17,925,235
Moveable equipment	11,352,762	567,340	(145,824)	11,774,278
Sub-specialty medical clinic	214,198	-	-	214,198
Modular medical office building	560,323	-	-	560,323
OB/GYN clinic moveable equipment	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>17,000</u>
Total capital assets, being depreciated	<u>39,027,177</u>	<u>674,181</u>	<u>(145,824)</u>	<u>39,555,534</u>
<i>Less: accumulated depreciation:</i>				
Land improvement	(605,141)	(34,089)	-	(639,230)
Buildings and improvements	(1,198,051)	(67,835)	-	(1,265,886)
Equipment and machinery	(487,409)	(32,521)	-	(519,930)
Sewer/water lines	(1,911,589)	(112,831)	-	(2,024,420)
Building and fixed equipment	(8,196,669)	(575,589)	-	(8,772,258)
Moveable inventory	(8,956,382)	(747,814)	145,824	(9,558,372)
Sub-specialty medical clinic	(144,157)	(33)	-	(144,190)
Modular medical office building	(449,388)	(207)	-	(449,595)
OB/GYN clinic moveable equipment	<u>(17,001)</u>	<u>-</u>	<u>-</u>	<u>(17,001)</u>
Total accumulated depreciation	<u>(21,965,787)</u>	<u>(1,570,919)</u>	<u>145,824</u>	<u>(23,390,882)</u>
Total capital assets, being depreciated net	<u>17,061,390</u>	<u>(896,738)</u>	<u>-</u>	<u>16,164,652</u>
Business-type activities capital assets, net	<u>\$ 21,631,636</u>	<u>\$ 1,717,626</u>	<u>\$ (368,540)</u>	<u>\$ 22,980,722</u>

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions/programs of the governmental activities and the funds of the business-type activities as follows:

Governmental activities:

Legislative and executive	\$ 155,456
Judicial	38,344
Public safety	301,888
Public works	1,443,449
Health	9,274
Human services	<u>589,094</u>
Total depreciation expense - governmental activities	<u>\$ 2,537,505</u>

Business-type activities:

Sewer district	\$ 213,187
Joel Pomerene Memorial Hospital	<u>1,357,732</u>
Total depreciation expense - business-type activities	<u>\$ 1,570,919</u>

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

A. Governmental Activities

The County has entered into a capital lease agreement for copier equipment. Capital assets consisting of equipment have been capitalized in the amount of \$8,109. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2011 was \$1,216, leaving a current book value of \$6,893. A corresponding liability was recorded in the statement of net assets. Principal payments in 2011 totaled \$1,377 paid by the County from the general fund.

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

<u>Year</u>	<u>Payment</u>
2012	\$ 1,900
2013	1,900
2014	1,900
2015	<u>950</u>
Total minimum lease payments	6,650
Less: Amounts representing interest	<u>(867)</u>
Present value of minimum lease payments	<u>\$ 5,783</u>

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

B. Business-Type Activities

The Hospital has entered into various non-cancelable lease agreements for equipment. These capital leases are due in monthly installments including interest at rates ranging from 0 to 7.9 percent. They expire at various times through 2016 and are collateralized by the equipment leased. Capital assets consisting of equipment have been capitalized in the amount of \$747,718. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2011 was \$114,166, leaving a current book value of \$633,552. A corresponding liability was recorded in the statement of net assets. Principal payments in 2011 totaled \$159,231 paid by the Hospital.

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

<u>Year Ended</u>	<u>Hospital</u>
2012	\$ 191,193
2013	153,228
2014	65,618
2015	6,071
2016	<u>1,022</u>
Total minimum lease payments	417,132
Less: Amounts representing interest	<u>(31,093)</u>
Present value of minimum lease payments	<u>\$ 386,039</u>

NOTE 11 - OPERATING LEASES - LESSEE DISCLOSURE

The Hospital has entered into operating lease agreements for equipment which expire at various times through 2014. Equipment operating lease expense totaled \$492,272 in 2011.

Effective March 1, 2009, the Hospital signed a five-year lease agreement for office space from Family Properties, Ltd. The lease expires in February 2014 with the option to lease for up to two additional terms of five years each. In addition, the Hospital signed five-year sub-lease agreements with various businesses in the area for this office space. The total amount of rentals to be received in the future under these sub-leases is \$364,737. Office lease expense totaled \$285,180 in 2011.

Effective April 27, 2004, the Hospital signed a ten-year lease agreement for a medical facility in Berlin, Ohio. The lease expires in 2014 with the option to lease for three additional three year terms. Lease expense was \$66,417 in 2011.

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
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NOTE 12 - LONG-TERM OBLIGATIONS

A. Long-Term Obligations

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

	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>
<u>General obligation bonds:</u>			
1998 capital facilities	4.25%	\$ 2,400,000	12/1/2012
2011 landfill improvement	1.00-5.25%	\$ 2,600,000	12/1/2041
2011 various purpose refunding	1.00-4.00%	\$ 2,770,000	12/1/2024
<u>Revenue bonds:</u>			
1997 Sewer	5.00%	\$ 2,977,000	5/1/2037
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%	\$ 974,954	1/1/2032

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Governmental Activities Long-Term Obligations

During 2011, the following activity occurred in the County's governmental long-term obligations:

	<u>Balance</u> 12/31/2010	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 12/31/2011	<u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
Series 1994 jail bond	\$ 1,760,000	\$ -	\$(1,760,000)	\$ -	\$ -
Series 1995 various purpose bond	925,000	-	(925,000)	-	-
Series 1998 capital facilities bond	420,000	-	(205,000)	215,000	215,000
Series 2011 landfill improvement bonds	-	2,600,000	-	2,600,000	55,000
Series 2011 various purpose refunding bonds	<u>-</u>	<u>2,770,000</u>	<u>(200,000)</u>	<u>2,570,000</u>	<u>215,000</u>
Total general obligation bonds	<u>\$ 3,105,000</u>	<u>\$ 5,370,000</u>	<u>\$(3,090,000)</u>	<u>\$ 5,385,000</u>	<u>\$ 485,000</u>
<u>Other long-term obligations:</u>					
Landfill closure and postclosure care liability	\$ -	\$ 4,943,761	\$ (429,521)	\$ 4,514,240	\$ 2,506,300
Capital lease obligation	7,160	-	(1,377)	5,783	1,491
Compensated absences payable	<u>1,075,838</u>	<u>707,869</u>	<u>(692,853)</u>	<u>1,090,854</u>	<u>697,385</u>
Total other long-term obligations	<u>\$ 1,082,998</u>	<u>\$ 5,651,630</u>	<u>\$(1,123,751)</u>	<u>\$ 5,610,877</u>	<u>\$ 3,205,176</u>
Total governmental activities long-term obligations	<u>\$ 4,187,998</u>	<u>\$ 11,021,630</u>	<u>\$(4,213,751)</u>	<u>\$ 10,995,877</u>	<u>\$ 3,690,176</u>
Add: unamortized premium on bonds				102,105	
Total on the statement of net assets				<u>\$ 11,097,982</u>	

General Obligation Bonds: The general obligation bonds are supported by the full faith and credit of the County. The 1998 capital facilities bond will be repaid with sales tax revenues. The 2011 landfill improvement bonds were issued on December 14, 2011 in order to finance the costs of closing the County landfill and will be repaid with revenues collected from solid waste generation fees. The 2011 various purpose refunding bonds were issued on August 9, 2011 to currently refund the 1994 jail bond and the 1995 various purpose bond at a lower interest rate. These bonds will be repaid with sales tax revenues and also rental revenues of the human services building.

Landfill Closure and Postclosure Care liability: The landfill closure and postclosure care liability was transferred from business-type activities to the governmental activities during 2011. The County closed out the County disposal nonmajor enterprise fund in 2011. The liability will be paid from governmental funds.

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
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NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

<p><u>Major Governmental Funds</u></p> <p>General</p> <p>Motor vehicle license and gas tax</p> <p>County board of DD</p> <p><u>Major Enterprise Fund</u></p> <p>Sewer district</p> <p><u>Non Major Governmental Funds</u></p> <p>Dog and kennel</p> <p>Public assistance</p>	<p><u>Non Major Governmental Funds (continued)</u></p> <p>Child support enforcement</p> <p>Real estate assesment</p> <p>State victims assistance</p> <p>License bureau</p> <p>County home</p> <p>Disaster services</p> <p>Youth services</p> <p>Solid waste district</p>
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Future Debt Service Requirements: The following is a summary of the County's future annual debt service principal and interest requirements for general obligation bonds:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 485,000	\$ 185,958	\$ 670,958
2013	270,000	176,829	446,829
2014	280,000	173,029	453,029
2015	280,000	167,263	447,263
2016	285,000	161,499	446,499
2017 - 2021	1,305,000	697,132	2,002,132
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>\$ 5,385,000</u>	<u>\$ 2,841,748</u>	<u>\$ 8,226,748</u>

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
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NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

C. Business-Type Activities Long-term Obligations

During 2011, the following activity occurred in the County's business-type activities long-term obligations:

	<u>Balance</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2011</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>Revenue bonds:</u>					
Series 1997 sewer bonds	\$ 2,366,500	\$ -	\$ (46,000)	\$ 2,320,500	\$ 49,000
Total revenue bonds	<u>2,366,500</u>	<u>-</u>	<u>(46,000)</u>	<u>2,320,500</u>	<u>49,000</u>
<u>OPWC loans:</u>					
Sanitary sewer plant	33,480	-	(2,911)	30,569	2,912
Mt. Hope	39,010	-	(3,901)	35,109	3,901
Walnut Creek	129,621	-	(8,363)	121,258	8,363
Walnut Creek Upgrade	<u>672,729</u>	<u>302,225</u>	<u>-</u>	<u>974,954</u>	<u>24,374</u>
Total OPWC loans	<u>874,840</u>	<u>302,225</u>	<u>(15,175)</u>	<u>1,161,890</u>	<u>39,550</u>
<u>Other long-term obligations:</u>					
USDA loan	1,844,746	711,254	-	2,556,000	-
Note payable	1,125,000	-	(50,000)	1,075,000	50,000
Capital leases-equipment	490,202	55,068	(159,231)	386,039	171,496
Landfill closure and postclosure care liability	4,943,761	-	(4,943,761)	-	-
Compensated absences	<u>19,385</u>	<u>22,618</u>	<u>(14,401)</u>	<u>27,602</u>	<u>22,592</u>
Total other long-term obligations	<u>8,423,094</u>	<u>788,940</u>	<u>(5,167,393)</u>	<u>4,044,641</u>	<u>244,088</u>
Total business-type activities long-term obligations	<u>\$11,664,434</u>	<u>\$1,091,165</u>	<u>\$(5,228,568)</u>	<u>\$ 7,527,031</u>	<u>\$332,638</u>

Revenue Bonds: The County has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2,977,000 in bonds. The bonds are payable solely from sewer customer net revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require all available net revenues and 17.46 percent of total operating revenues. The total principal and interest remaining to be paid on the bonds is \$4,337,250. Principal and interest paid for the current year and total customer net revenues were \$164,325 and \$144,479, respectively.

OPWC Loans: The Ohio Public Works Commission (OPWC) loans are general obligations of the County and will be repaid from the sewer district fund. The OPWC loans are interest free, providing repayment remains current. The future debt service requirements for the OPWC loans does not include the Walnut Creek upgrade loan as this loan has not been completely closed out as of December 31, 2011.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

USDA Loan: The County entered into an agreement with the United States Department of Agriculture (USDA) for a loan in the amount of \$2,556,000 and a grant in the amount of \$2,007,000, for the purpose of improving and expanding the Walnut Creek Wastewater Treatment Plant. The County must draw on the loan before they can receive any portion of the grant. The loan bears an interest rate of 3.25%. The loan will be repaid from the sewer district fund. The loan has not been completely closed out as of December 31, 2011, therefore future debt service requirements do not include the USDA loan.

Note Payable: The Hospital has obtained a \$1,250,000, unsecured, interest-free, loan from Aultman Health Foundation (Aultman), with annual payments of \$50,000 through July 2033. Aultman has the option to call the loan in July 2018. A corresponding liability was recorded in the statement of net assets. Principal payments in 2011 totaled \$50,000 paid by the Hospital.

The Hospital is required to meet certain covenants with respect to the Aultman note agreement, including minimum debt service coverage. The Hospital was in compliance with these covenants at December 31, 2011.

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

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

Year Ended	Revenue bonds			OPWC	Note
	Principal	Interest	Total	Loans	Payable
	Principal	Interest	Total	Principal	Principal
2012	\$ 49,000	\$ 124,700	\$ 173,700	\$ 15,176	\$ 50,000
2013	51,000	122,250	173,250	15,175	50,000
2014	54,000	119,700	173,700	15,175	50,000
2015	56,000	117,000	173,000	15,176	50,000
2016	60,000	114,200	174,200	15,174	50,000
2017 - 2021	344,000	523,350	867,350	71,973	825,000
2022 - 2026	439,000	428,300	867,300	39,087	-
2027 - 2031	560,000	306,950	866,950	-	-
2032 - 2036	707,500	160,300	867,800	-	-
Total	<u>\$ 2,320,500</u>	<u>\$ 2,016,750</u>	<u>\$ 4,337,250</u>	<u>\$ 186,936</u>	<u>\$ 1,075,000</u>

- D. The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County.

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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, 2011, the County's voted legal debt margin was \$15,009,750 and the unvoted legal debt margin was \$4,979,761.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Employees earn sick leave at a rate of 4.60 hours of sick leave for each completed 80 hours in active pay status. Sick leave accumulation is unlimited. Upon retirement or death, an employee can be paid twenty-five percent to a maximum of 30 days of accumulated, unused sick leave. As of December 31, 2011, the County's total liability for unpaid compensated absences was \$1,118,456.

B. Health and Life Insurance

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

NOTE 14 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2011, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for liability, property, and crime insurance. The CORSA program has a \$2,500 deductible.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - RISK MANAGEMENT - (Continued)

Coverage provided by CORSA is as follows:

General Liability (per occurrence)	\$ 1,000,000
Stop Loss (aggregate excess)	1,000,000
Automobile Liability (per occurrence)	1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Errors and Omissions Liability	
- Per occurrence	1,000,000
- Annual aggregate	1,000,000
Crime Coverage (per each occurrence)	
Employee Dishonesty/Faithful Performance	1,000,000
Money and Securities (inside and outside)	1,000,000
Depositor's Forgery	1,000,000
Money Orders and Counterfeit Paper Currency	1,000,000
Building and Contents	
Other Property Insurance:	
Valuable Papers	1,000,000
Extra Expense	1,000,000
Contractors Equipment	Replacement Cost
Motortruck Cargo	100,000
Flood and Earthquake (pool limit)	100,000,000
Auto Physical Damage	Actual Cash Value
Comprehensive Boiler and Machinery	100,000,000
EDP Media	100,000 per policy
Unintentional omissions (per occurrence)	250,000
Newly acquired location	5,000,000

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 2011, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. (See Note 2.A.). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria.

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - RISK MANAGEMENT - (Continued)

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

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

NOTE 15 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2011 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.00% and 11.60%, respectively. The County's contribution rate for 2011 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - PENSION PLANS - (Continued)

The County's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The County's contribution rate for pension benefits for members in the Combined Plan for 2010 was 7.95%. For those plan members in law enforcement and public safety pension contributions were 14.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$2,381,810, \$1,201,667, and \$1,136,989, respectively; 100% has been contributed for 2011, 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$37,714 made by the County and \$26,939 made by the plan members.

The Hospital's contributions for pension obligations were approximately \$1,117,027, \$926,000 and \$895,000 for the years ended December 2011, 2010 and 2009, respectively.

B. State Teachers Retirement System

Plan Description - Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For 2011, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - PENSION PLANS - (Continued)

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2011, 2010, and 2009 were \$76,235, \$82,934, and \$91,119, respectively; 100 % has been contributed for 2011, 2010 and 2009.

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$942,138, \$657,366, and \$816,327, respectively; 100% has been contributed for 2011, 2010 and 2009.

The Hospital's contributions to fund post-employment health care benefits were approximately \$446,780, \$595,000 and \$647,000 for the years ended December 2011, 2010 and 2009, respectively.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. State Teachers Retirement System

Plan Description - The County contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2011, 2010, and 2009 were \$5,864, \$6,380, and \$7,009, respectively; 100% has been contributed for 2011, 2010 and 2009.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 17 – BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>	<u>County Board of DD</u>	<u>Motor vehicle license and Gas tax</u>
Budget basis	\$ 771,880	\$ 401,033	\$ (232,190)
Net adjustment for revenue accruals	47,811	18,603	(150,424)
Net adjustment for expenditure accruals	(243,326)	(7,203)	74,501
Net adjustment for other sources/uses	166,000	-	-
Funds budgeted elsewhere	(123,301)	-	-
Adjustment for encumbrances	<u>21,122</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$ 640,186</u>	<u>\$ 412,433</u>	<u>\$ (308,113)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the IT computer fund, employee expended fund, recorder's equipment fund, certificate of title fund, unclaimed monies fund, forfeited lands fund, sheriff's policing rotary fund, jail kitchen fund and OPERS transfers fund.

NOTE 18 - CONTINGENCIES

A. Grants

The County received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at December 31, 2011.

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, 2011.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
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NOTE 19 - FUND BALANCE

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

Fund balance	General	County Board of DD	Motor Vehicle License and Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 75,500	\$ 17,747	\$ 652,570	\$ 19,603	\$ 765,420
Prepays	79,562	6,403	845	19,731	106,541
Unclaimed monies	<u>55,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,047</u>
Total nonspendable	<u>210,109</u>	<u>24,150</u>	<u>653,415</u>	<u>39,334</u>	<u>927,008</u>
Restricted:					
Capital projects	-	-	-	2,909,593	2,909,593
Debt service	-	-	-	108,102	108,102
Public works projects	-	-	578,619	87,623	666,242
Public safety programs	-	-	-	800,983	800,983
Human services programs	-	1,948,584	-	3,554,740	5,503,324
General operations	-	-	-	1,090,504	1,090,504
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,730</u>	<u>91,730</u>
Total restricted	<u>-</u>	<u>1,948,584</u>	<u>578,619</u>	<u>8,643,275</u>	<u>11,170,478</u>
Committed:					
Capital projects	-	-	-	193,086	193,086
Compensated absences	179,873	-	-	-	179,873
Employee benefits	<u>118,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,532</u>
Total committed	<u>298,405</u>	<u>-</u>	<u>-</u>	<u>193,086</u>	<u>491,491</u>
Assigned:					
Subsequent year appropriations	1,297,958	-	-	-	1,297,958
Public safety programs	56,586	-	-	-	56,586
Other purposes	<u>16,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,706</u>
Total assigned	<u>1,371,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,371,250</u>
Unassigned (deficit)	<u>546,378</u>	<u>-</u>	<u>-</u>	<u>(11,533)</u>	<u>534,845</u>
Total fund balances	<u>\$ 2,426,142</u>	<u>\$ 1,972,734</u>	<u>\$ 1,232,034</u>	<u>\$ 8,864,162</u>	<u>\$ 14,495,072</u>

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
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NOTE 20 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 42,934
Nonmajor governmental	<u>31,809</u>
Total	<u>\$ 74,743</u>

NOTE 21 - LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County closed the landfill during 2011, issuing bonds to help fund the cost of closure. The liability reported at December 31, 2011, of \$4,514,240 represents the estimated remaining closure and postclosure care costs. This amount represents an estimate of what it would cost to perform all closure and postclosure care at December 31, 2011. However, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 22 - CHARITY CARE

The Hospital provides medical care without charge, or at a reduced cost, to residents of its community, primarily through (1) services provided at no charge to the uninsured; (2) the difference between public programs' payments (primarily Medicare and Medicaid) and the related costs of providing such service; and (3) the services provided to patients expressing a willingness to pay, but who are determined to be unable to pay because of socioeconomic factors. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for service and supplies furnished under its charity care policy. Charges forgone for services rendered under the Hospital's charity care policy were approximately \$2,205,245 in 2011.

NOTE 23 - MEDICAL MALPRACTICE CLAIMS

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

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

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 24 - RELATED PARTY TRANSACTIONS

During 2011, 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 \$277,525 for such 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.

NOTE 25 - SUBSEQUENT EVENT

On May 26, 2011, the Hospital's Board of Trustees approved the purchase of land and a building, former location of the Holmes County Health Department, from the Holmes County Commissioners for \$300,000. The purchase of this property will be funded by cash through a lease/purchase agreement with the Joel Pomerene Foundation. This transaction closed on February 27, 2012.

NOTE 26 - HOLMES COUNTY REGIONAL PLANNING COMMISSION

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

A. Basis of Accounting

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

C. Compensated Absences

The Commission records liabilities for vacation and sick leave accumulated by its employees at the same rate as the County (see Note 2.J.). At December 31, 2011, vacation and sick leave liability were \$5,837 and \$8,143, respectively. The entire compensated absences liability is reported on the government-wide financial statements.

NOTE 27 - LYNN HOPE INDUSTRIES, INC.

A. Summary of Significant Accounting Policies

Business Activity - Lynn Hope Industries, Inc. (the "Organization") is a sheltered workshop located in Holmesville, Ohio. The Organization offers a variety of goods and services for sale. The Organization extends credit to its customers, substantially all of whom are local businesses.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
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NOTE 27 - LYNN HOPE INDUSTRIES, INC. - (Continued)

Basis of Presentation - The Organization has adopted Financial Accounting Standards Board Statement of Accounting Standards (FAS) No. 117 (Financial Statements of Not-for-Profit Organizations) for presentation of its financial statements.

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

Depreciation is based on the following policies:

<u>Description</u>	<u>Useful Life (In Years)</u>	<u>Method</u>
Equipment	3 - 10	Straight-line
Vehicles	5	Straight-line

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, 2011, there were no restricted contributions to the Organization.

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

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

B. Non-Cash Transactions

The Organization received in-kind services and facilities for the year ended December 31, 2011 from the Holmes County Board of DD. The value of the in-kind contribution was determined to be \$277,525 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 \$140,119. The bank balance of the Organization’s deposits at year end was \$141,489. The entire bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 27 - LYNN HOPE INDUSTRIES, INC. - (Continued)

D. Related Parties

Total revenues from contracts to provide services to the Holmes County Board of DD were \$13,548 for the year ended December 31, 2011. The Organization had \$2,198 in accounts receivable from the Holmes County Board of DD at December 31, 2011.

E. Long-Term Liabilities

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

Note payable	\$ 112,520
Less: current portion	<u>(15,163)</u>
Total	<u>\$ 97,357</u>

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

2012	\$ 15,163
2013	16,098
2014	17,091
2015	18,145
2016	19,264
2017 - 2020	<u>26,759</u>
Total	<u>\$ 112,520</u>

F. Capital Assets

A summary of capital assets at December 31, 2011 follows:

Equipment	\$ 76,730
Vehicles	<u>9,842</u>
Subtotal	86,572
Less: accumulated depreciation	<u>(80,772)</u>
Net capital assets	<u>\$ 5,800</u>

NOTE 28 - HOLMES COUNTY AIRPORT AUTHORITY

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 28 - HOLMES COUNTY AIRPORT AUTHORITY - (Continued)

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. The Airport Authority also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, provided it does not conflict with or contradict GASB pronouncements. The Airport Authority has the option to also apply FASB guidance issued after November 30, 1989 subject to this same limitation. The Airport Authority has elected not to apply these FASB Statements and Interpretations.

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

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

A summary of capital assets at December 31, 2011, follows:

Land	\$ 54,357
Construction in progress	924,548
Buildings and improvements	581,743
Equipment	<u>131,455</u>
Subtotal	1,692,103
Less: accumulated depreciation	<u>(388,779)</u>
Net capital assets	<u>\$ 1,303,324</u>

B. Deposits with Financial Institutions

Monies held by the Airport Authority are held in separate accounts. The Airport Authority invests in a NOW account and certificates of deposit.

At December 31, 2011, the carrying amount and bank balance of the Airport Authority's deposits was \$464,433. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$214,433 of the Airport Authority's bank balance of \$464,433 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 28 - HOLMES COUNTY AIRPORT AUTHORITY - (Continued)

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.