

**HOLMES COUNTY, OHIO**

***BASIC  
FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED  
DECEMBER 31, 2013***

**HONORABLE JACKIE MCKEE, AUDITOR**



**HOLMES COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**TABLE OF CONTENTS**

Table of Contents .....	1
Accountant's Compilation Report .....	2
Management's Discussion and Analysis.....	3 - 14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities .....	16 - 17
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - County Board of DD .....	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Motor Vehicle License and Gas Tax ...	24
Statement of Net Position - Enterprise Funds .....	25
Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds.....	26
Statement of Cash Flows - Enterprise Funds .....	28 - 29
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds .....	30
Notes to the Basic Financial Statements.....	31 - 75





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

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, 2013. 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 19, 2014



## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (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, 2013. 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 2013 are as follows:

- The total net position of the County increased \$5,111,579. Net position of governmental activities increased \$2,897,602, which represents an 8.10% increase over fiscal year 2012. Net position of business-type activities increased \$2,213,977 or 7.60% from fiscal year 2012.
- General revenues accounted for \$14,030,393 or 42.89% of total governmental activities revenue. Program specific revenues accounted for \$18,678,676 or 57.11% of total governmental activities revenue.
- The County had \$29,811,467 in governmental activities expenses; \$18,678,676, or 62.66%, of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$14,030,393 were adequate to provide for these programs.
- The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$11,468,497 in 2013, an increase of \$192,810 or 1.71% from 2012. The general fund had expenditures and other financing uses of \$10,531,068 in 2013, an increase of \$136,393 or 1.31% from 2012. The net changes in revenues and expenditures contributed to the general fund balance increase of \$937,429 or 28.35% from 2012 to 2013.
- The county board of developmental disabilities (DD) fund, a major governmental fund, had revenues of \$5,901,296 in 2013, an increase of \$627,894 or 11.91% from 2012. The DD fund had expenditures and other financing uses of \$5,989,527 in 2013, an increase of \$1,255,415 or 26.53% from 2012. The net changes in revenues and expenditures contributed to the DD fund balance decrease of \$88,231 or 3.51% from 2012 to 2013.
- The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$5,048,292 in 2013, a decrease of \$409,883 or 7.51% from 2012. The motor vehicle license and gas tax fund had expenditures of \$5,153,724 in 2013, an increase of \$421,127 or 8.90% from 2012. The motor vehicle license and gas tax fund balance decreased \$105,432 or 5.39% from 2012 to 2013.
- Net position for the business-type activities, which is made up of the sewer district and Joel Pomerene Memorial Hospital enterprise funds, increased in 2013 by \$2,213,977 or 7.60%.

#### **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, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

The statement of net position and statement of activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of the County, there are three major governmental funds. The general fund is the largest major fund.

#### **Reporting the County as a Whole**

##### *Statement of Net Position and the Statement of Activities*

The statement of net position and the statement of activities answer the question, "How did we do financially during 2013?" These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The County's statement of net position and statement of activities can be found on pages 15-17 of this report.

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

##### *Fund Financial Statements*

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

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

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (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 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 31-75 of this report.

#### **Government-Wide Financial Analysis**

The statement of net position provides the perspective of the County as a whole. The table on the following page provides a summary of the County's net position for 2013 and 2012.

**HOLMES COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**Net Position**

	Governmental Activities 2013	Business-type Activities 2013	Governmental Activities 2012	Business-type Activities 2012	2013 Total	2012 Total
<u>Assets</u>						
Current and other assets	\$ 28,667,980	\$ 17,019,181	\$ 26,212,957	\$ 15,743,485	\$ 45,687,161	\$ 41,956,442
Capital assets	<u>25,522,800</u>	<u>24,163,819</u>	<u>25,163,118</u>	<u>23,780,255</u>	<u>49,686,619</u>	<u>48,943,373</u>
Total assets	<u>54,190,780</u>	<u>41,183,000</u>	<u>51,376,075</u>	<u>39,523,740</u>	<u>95,373,780</u>	<u>90,899,815</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	8,028,327	7,568,512	8,436,843	8,041,762	15,596,839	16,478,605
Other liabilities	<u>1,671,101</u>	<u>2,261,627</u>	<u>1,428,831</u>	<u>2,343,094</u>	<u>3,932,728</u>	<u>3,771,925</u>
Total liabilities	<u>9,699,428</u>	<u>9,830,139</u>	<u>9,865,674</u>	<u>10,384,856</u>	<u>19,529,567</u>	<u>20,250,530</u>
<u>Deferred inflows of resources</u>	<u>5,807,152</u>	<u>-</u>	<u>5,723,803</u>	<u>-</u>	<u>5,807,152</u>	<u>5,723,803</u>
<u>Net Position</u>						
Net investment in capital assets	23,370,536	16,597,803	22,787,903	15,740,520	39,968,339	38,528,423
Restricted	14,663,860	701,341	13,553,999	658,837	15,365,201	14,212,836
Unrestricted (deficit)	<u>649,804</u>	<u>14,053,717</u>	<u>(555,304)</u>	<u>12,739,527</u>	<u>14,703,521</u>	<u>12,184,223</u>
Total net position	<u>\$ 38,684,200</u>	<u>\$ 31,352,861</u>	<u>\$ 35,786,598</u>	<u>\$ 29,138,884</u>	<u>\$ 70,037,061</u>	<u>\$ 64,925,482</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2013, the County's assets exceeded liabilities and deferred inflows of resources by \$70,037,061. This amounts to \$38,684,200 in governmental activities and \$31,352,861 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 52.10% of total governmental and business-type assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, construction in progress and infrastructure. The net investment in capital assets at December 31, 2013, was \$39,968,339. These capital assets are used to provide services to citizens and are not available for future spending.

As of December 31, 2013, the County is able to report positive balances in all three categories of net position for both governmental activities and business-type activities. A portion of the County's governmental activities net position, \$14,663,860 or 37.91%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities net position of \$649,804 is unrestricted.

Overall, total assets increased in 2013 and total liabilities decreased. Most of the decrease in liabilities is a result of payments made on the County's long-term debt obligations. Capital assets increased slightly for both the governmental and business-type activities, as acquisitions exceeded net disposals and depreciation expense in 2013. The increase in current and other assets for the governmental activities is mostly due to an increase of about \$2.5 million in cash and cash equivalents. For the business-type activities, the increase is mostly related to an increase in accounts receivable for the Hospital of about \$0.9 million.

**HOLMES COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

The table below shows the changes in net position for fiscal year 2013 and 2012.

	Governmental Activities 2013	Business-type Activities 2013	Governmental Activities 2012	Business-type Activities 2012	2013 Total	2012 Total
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 6,534,033	\$ 31,686,794	\$ 6,226,753	\$ 29,580,073	\$ 38,220,827	\$ 35,806,826
Operating grants and contributions	11,373,461	-	10,688,582	-	11,373,461	10,688,582
Capital grants and contributions	771,182	898,027	1,201,382	729,454	1,669,209	1,930,836
<b>Total program revenues</b>	<u>18,678,676</u>	<u>32,584,821</u>	<u>18,116,717</u>	<u>30,309,527</u>	<u>51,263,497</u>	<u>48,426,244</u>
General revenues:						
Property taxes	5,952,868	-	5,687,982	-	5,952,868	5,687,982
Sales tax	6,085,036	-	5,709,350	-	6,085,036	5,709,350
Unrestricted grants	1,713,962	-	1,551,503	-	1,713,962	1,551,503
Investment earnings	129,729	43,966	170,993	36,959	173,695	207,952
Other	148,798	2,447,730	175,499	2,328,732	2,596,528	2,504,231
<b>Total general revenues</b>	<u>14,030,393</u>	<u>2,491,696</u>	<u>13,295,327</u>	<u>2,365,691</u>	<u>16,522,089</u>	<u>15,661,018</u>
<b>Total revenues</b>	<u>32,709,069</u>	<u>35,076,517</u>	<u>31,412,044</u>	<u>32,675,218</u>	<u>67,785,586</u>	<u>64,087,262</u>
<b>Expenses</b>						
Program Expenses:						
General government						
Legislative and executive	4,974,040	-	4,701,293	-	4,974,040	4,701,293
Judicial	1,939,960	-	1,815,852	-	1,939,960	1,815,852
Public safety	4,335,961	-	4,150,255	-	4,335,961	4,150,255
Public works	4,697,817	-	5,059,240	-	4,697,817	5,059,240
Health	269,966	-	263,006	-	269,966	263,006
Human services	13,172,710	-	11,330,785	-	13,172,710	11,330,785
Conservation and recreation	248,388	-	702,764	-	248,388	702,764
Interest and fiscal charges	172,625	-	185,941	-	172,625	185,941
Sewer District	-	1,337,875	-	1,177,682	1,337,875	1,177,682
Joel Pomerene Hospital	-	31,524,665	-	30,519,589	31,524,665	30,519,589
East Holmes Water	-	-	-	1	-	1
<b>Total expenses</b>	<u>29,811,467</u>	<u>32,862,540</u>	<u>28,209,136</u>	<u>31,697,272</u>	<u>62,674,007</u>	<u>59,906,408</u>
<b>Change in net position</b>	2,897,602	2,213,977	3,202,908	977,946	5,111,579	4,180,854
<b>Net position at beginning of year</b>	<u>35,786,598</u>	<u>29,138,884</u>	<u>32,583,690</u>	<u>28,160,938</u>	<u>64,925,482</u>	<u>60,744,628</u>
<b>Net position at end of year</b>	<u>\$ 38,684,200</u>	<u>\$ 31,352,861</u>	<u>\$ 35,786,598</u>	<u>\$ 29,138,884</u>	<u>\$ 70,037,061</u>	<u>\$ 64,925,482</u>

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### Governmental Activities

Governmental activities net position increased by \$2,897,602 in 2013 as total revenues once again exceeded expenses. Although capital grants and contributions decreased, which is primarily due to the completion of two Ohio Public Works Commission grant programs in 2012, total program revenues increased. The main reason for this increase is additional Federal grant revenue for the County's Board of Developmental Disabilities program. The additional services provided in 2013 for this program accounts for most of the increase in expenses.

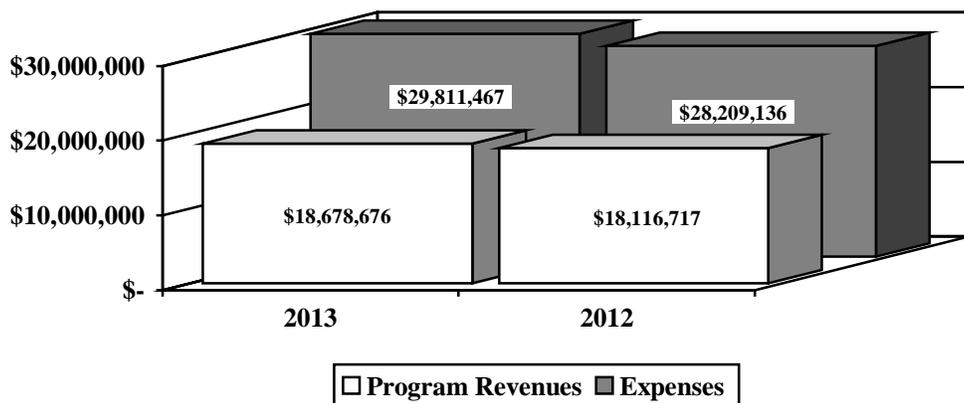
Human services, which supports the operations of the county home, county board of DD, job and family services (public assistance), veteran services, and the children services board, accounted for \$13,172,710 of expenses, or 44.19% of total governmental expenses of the County. These expenses were funded by \$2,144,172 in charges to users of services, \$6,237,869 in operating grants and contributions and \$2,000 in capital grants and contributions in 2013. General government expenses, which include legislative and executive and judicial programs, accounted for \$6,914,000 or 23.19% of total governmental expenses. General government expenses were funded by \$3,118,291 of direct charges to users in 2013. Public works expenses, the County's third largest category of expenses, totaled \$4,697,817 in 2013 or 15.76% of total governmental expenses. The County's public works programs consist primarily of motor vehicle license and gas tax program, which funds road and other infrastructure repairs and improvements throughout the County.

Operating grants and contributions, which is mostly intergovernmental revenue from the State and Federal governments, totaled \$11,373,461 in 2013, compared to \$11,889,964 in 2012. These revenues are restricted to a particular program or purpose.

General revenues totaled \$14,030,393 and amounted to 42.89% of total revenues. These revenues primarily consist of property and sales tax revenue of \$12,037,904 or 85.80% of total general revenues in 2013. Revenues from property taxes increased 4.66% and sales taxes increased 6.58%. The other primary source of general revenues is grants and entitlements not restricted to specific programs, which makes up \$1,713,962 or 12.22% 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 2013 and 2012. 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, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

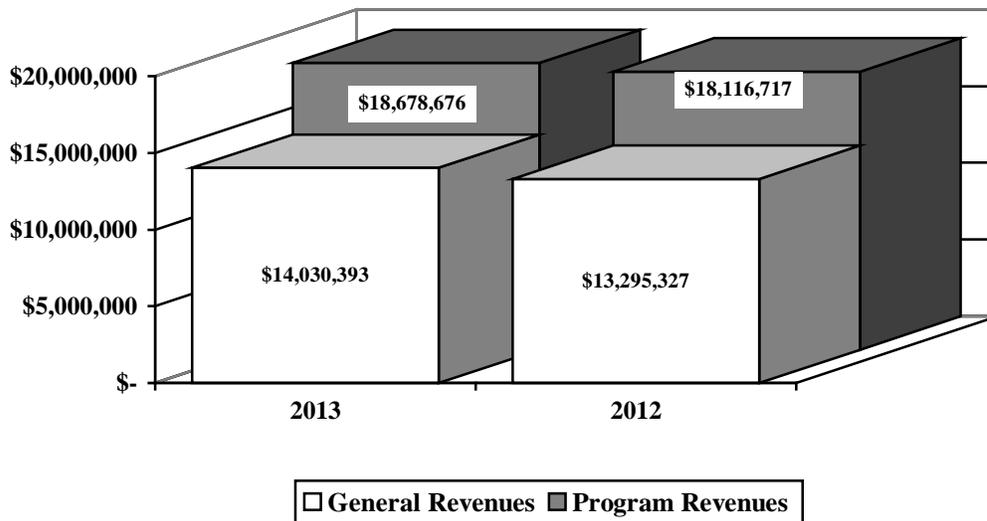
**Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program Expenses:				
General government				
Legislative and executive	\$ 4,974,040	\$ 1,672,435	\$ 4,701,293	\$ 1,372,464
Judicial	1,939,960	1,440,895	1,815,852	1,385,106
Public safety	4,335,961	3,387,291	4,150,255	3,400,721
Public works	4,697,817	(393,570)	5,059,240	(421,591)
Health	269,966	101,299	263,006	88,265
Human services	13,172,710	4,788,669	11,330,785	3,645,179
Conservation and recreation	248,388	248,388	702,764	702,764
Interest and fiscal charges	172,625	(112,616)	185,941	(80,489)
<b>Total</b>	<b>\$ 29,811,467</b>	<b>\$ 11,132,791</b>	<b>\$ 28,209,136</b>	<b>\$ 10,092,419</b>

The dependence upon general revenues for governmental activities is apparent, with 37.34% of expenses supported through taxes and other general revenues during 2013.

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

**Governmental Activities - General and Program Revenues**

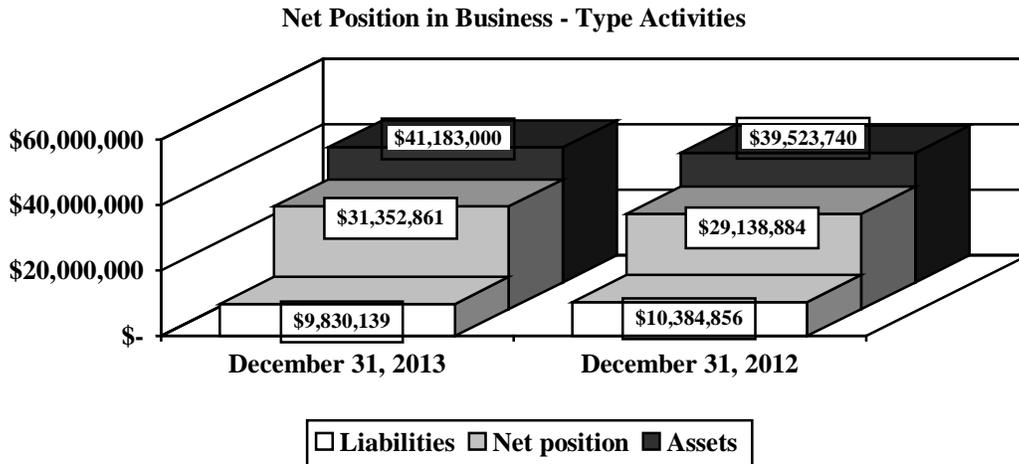


## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### Business-Type Activities

The sewer district and Joel Pomerene Memorial Hospital are the County's enterprise funds. These operations had program revenues of \$32,584,821, general revenues of \$2,491,696, and expenses of \$32,862,540 for fiscal year 2013. The net position of the enterprise funds increased \$2,213,977 or 7.60% during 2013. The following graph illustrates the assets, liabilities and net position of the County's business-type activities at December 31, 2013 and 2012:



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

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

#### *Governmental Funds*

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

The County's governmental funds (as reported on the balance sheet on page 18) reported a combined fund balance of \$17,515,782, which is \$2,113,108 higher than last year's total of \$15,402,674. The table on the following page shows the fund balance and the total change in fund balance as of December 31, 2013 for all major and non-major governmental funds.

**HOLMES COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Fund Balances</u> 12/31/13	<u>Fund Balances</u> 12/31/12	<u>Increase/</u> <u>(Decrease)</u>
Major funds:			
General	\$ 4,244,583	\$ 3,307,154	\$ 937,429
County Board of DD	2,423,793	2,512,024	(88,231)
Motor Vehicle License and Gas Tax	1,852,180	1,957,612	(105,432)
Other nonmajor governmental funds	<u>8,995,226</u>	<u>7,625,884</u>	<u>1,369,342</u>
 Total	 <u>\$ 17,515,782</u>	 <u>\$ 15,402,674</u>	 <u>\$ 2,113,108</u>

**General Fund**

The County's general fund balance increased \$937,429. The tables that follow assist in illustrating the revenues and expenditures of the general fund.

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 7,844,796	\$ 7,377,386	6.34 %
Charges for services	1,758,223	1,834,619	(4.16) %
Licenses and permits	4,932	5,338	(7.61) %
Fines and forfeitures	99,171	95,140	4.24 %
Intergovernmental	1,448,211	1,642,293	(11.82) %
Investment income	129,729	170,993	(24.13) %
Other	<u>180,138</u>	<u>118,012</u>	52.64 %
 Total	 <u>\$ 11,465,200</u>	 <u>\$ 11,243,781</u>	 1.97 %

Taxes revenue, which includes primarily real property and sales taxes, represents 68.42% of all general fund revenues. Most of the increase in taxes revenue came from sales taxes revenue, which increased \$425,545 or 8.33%. Charges for services revenue decreased slightly due to a decrease in recorder fees collected. The decrease in intergovernmental revenue is primarily due to a one-time grant for the County fairgrounds of over \$400,000 received in 2012. This was partially offset, however, by an increase in the County's share of casino tax revenues received from the State.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government			
Legislative and executive	\$ 3,226,331	\$ 3,002,199	7.47 %
Judicial	1,721,567	1,633,639	5.38 %
Public safety	3,613,299	3,395,786	6.41 %
Health	81,951	79,031	3.69 %
Human services	494,083	471,223	4.85 %
Conservation and recreation	248,388	702,764	(64.66) %
Capital outlay	25,406	22,077	15.08 %
Debt service	<u>1,900</u>	<u>1,900</u>	-
Total	<u>\$ 9,412,925</u>	<u>\$ 9,308,619</u>	1.12 %

Total general fund expenditures increased slightly in 2013, as most general fund departments experienced increased costs for employee wages and benefits as well as increased costs for materials and supplies. The decrease in conservation and recreation expenditures was a result of expenditures made in 2012 on behalf of the Holmes County Fair Board for new fair grounds.

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

The county board of developmental disabilities (DD) fund is a major governmental fund that accounts for the operation of a school and resident homes for the developmentally disabled. The DD fund had revenues of \$5,901,296 in 2013, an increase of \$627,894 or 11.91% from 2012. The DD fund had expenditures and other financing uses of \$5,989,527 in 2013, an increase of \$1,255,415 or 26.53% from 2012. A general increase in the amount of services provided is the primary reason for the increased revenues and expenditures. Most of the increase in revenues is a result of additional Federal grant funding which helped offset the additional costs incurred during the year. The net changes in revenues and expenditures contributed to the DD fund balance decrease of \$88,231 or 3.51% from 2012 to 2013.

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

The motor vehicle license and gas tax fund is a major governmental fund that accounts for road and bridge repair and maintenance programs throughout the County. The fund had revenues and other financing sources of \$5,048,292 in 2013, a decrease of \$409,883 or 7.51% from 2012. Most of the fund's revenues are intergovernmental revenues from the State for motor vehicles licenses and gasoline taxes. The motor vehicle license and gas tax fund had expenditures of \$5,153,724 in 2013, an increase of \$421,127 or 8.90% from 2012. The motor vehicle license and gas tax fund balance decreased \$105,432 or 5.39% from 2012 to 2013.

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

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

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

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

In the general fund, original budgeted revenues and other financing sources of \$8,238,885 were increased to \$8,770,185 in the final budget. Actual revenues and other financing sources of \$10,955,753 were higher than final budgeted revenues by \$2,185,568 or 24.92%. Sales taxes revenue was \$1,490,648 higher than in the final budget; this is due to the County conservatively budgeting sales taxes at \$4,000,000 each year. Intergovernmental revenues were \$454,508 higher than the final budget; once again, this is mostly attributable to the County using conservative estimates for various intergovernmental revenue sources such local government support, casino taxes and homestead and rollback.

Original budgeted expenditures and other financing uses in the general fund were \$10,283,526. This was increased to \$10,692,165 in the final budget. Actual expenditures and other financing uses of \$10,165,177 were \$526,988 lower than final budgeted expenditures and financing uses. Most departments in the general fund had a positive budget variance, most of which were due to the County's conservative budget practices in budgeting for higher employee wages and benefits costs. The veteran's services department is accounted for under human services expenditures in the general fund. The positive variance of \$110,547 between the final budget and actual is a result of significantly lower than budgeted relief allowance expenditures.

#### *Proprietary Funds*

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

### Capital Assets and Debt Administration

#### *Capital Assets*

At the end of 2013, the County had \$49,686,619 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, construction in progress, sewer mains and infrastructure. Of this total, \$25,522,800 was reported in governmental activities and \$24,163,819 was reported in business-type activities. The following table shows 2013 balances compared to 2012:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,037,408	\$ 1,037,408	\$ 700,423	\$ 700,423	\$ 1,737,831	\$ 1,737,831
Land improvements	61,308	65,819	277,411	305,534	338,719	371,353
Building and improvements	7,102,708	7,597,287	16,138,196	10,463,281	23,240,904	18,060,568
Furniture, fixtures and equipment	1,091,026	1,300,936	2,791,499	2,221,877	3,882,525	3,522,813
Vehicles	1,726,033	1,338,726	-	-	1,726,033	1,338,726
Infrastructure	14,504,317	13,780,878	-	-	14,504,317	13,780,878
Sewer/water lines	-	-	4,084,490	3,245,670	4,084,490	3,245,670
Construction in progress	-	42,064	171,800	6,843,470	171,800	6,885,534
<b>Total</b>	<b><u>\$ 25,522,800</u></b>	<b><u>\$ 25,163,118</u></b>	<b><u>\$ 24,163,819</u></b>	<b><u>\$ 23,780,255</u></b>	<b><u>\$ 49,686,619</u></b>	<b><u>\$ 48,943,373</u></b>

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

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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 56.83% of the County's total governmental capital assets.

The County's second largest business-type capital asset category is sewer/water lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's sewer and water lines (cost less accumulated depreciation) represents approximately 16.90% of the County's total business-type capital assets.

#### ***Debt Administration***

At December 31, 2013 the County had \$12,201,008 in general obligation bonds, capital lease obligations, loans and notes payable. Of this total, \$547,912 is due within one year and \$11,653,096 is due in more than one year. The following table summarizes the outstanding debt.

#### **Outstanding Debt, at Year End**

	Governmental Activities 2013	Business-Type Activities 2013	Governmental Activities 2012	Business-Type Activities 2012
Long-Term Obligations				
General obligation bonds	\$ 4,630,000	\$ 2,260,000	\$ 4,900,000	\$ 2,335,000
Capital lease obligations	2,677	333,360	4,292	472,846
USDA loan	-	2,521,000	-	2,556,000
Note payable	-	975,000	-	1,025,000
OPWC loans	-	1,478,971	-	1,653,306
Total	<u>\$ 4,632,677</u>	<u>\$ 7,568,331</u>	<u>\$ 4,904,292</u>	<u>\$ 8,042,152</u>

The County's total legal debt margin was \$14,864,646 at December 31, 2013 and the unvoted legal debt margin was \$3,815,428. See Note 12 in the notes to the basic financial statements for detail on governmental activities and business-type activities long-term obligations.

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

The County's population as of the 2010 census was 42,366, and the population estimate for 2013 is 43,593. At the end of 2013, the seasonally adjusted unemployment rate for the County was 4.3%, compared to the 7.1% State average and the 6.7% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2014. Budgeted revenues and other financing sources in the general fund for 2014 were \$8,851,189. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

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

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

HOLMES COUNTY, OHIO

STATEMENT OF NET POSITION  
 DECEMBER 31, 2013  
 (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
<b>Assets:</b>						
Equity in pooled cash and cash equivalents . . .	\$ 16,084,958	\$ 931,829	\$ 17,016,787	\$ -	\$ -	\$ 58,457
Cash and cash equivalents						
in segregated accounts . . . . .	437,466	4,277,637	4,715,103	105,960	267,684	-
Investments in segregated accounts . . . . .	-	769,832	769,832	-	-	-
Receivables:						
Sales taxes. . . . .	1,689,076	-	1,689,076	-	-	-
Real and other taxes . . . . .	6,066,721	-	6,066,721	-	-	-
Accounts. . . . .	236,937	4,047,138	4,284,075	21,882	2	7,842
Accrued interest . . . . .	75	-	75	-	-	-
Due from other governments. . . . .	3,287,241	-	3,287,241	-	22,466	-
Loans receivable. . . . .	-	6,572	6,572	-	-	-
Materials and supplies inventory. . . . .	756,372	326,226	1,082,598	-	-	544
Prepayments . . . . .	109,134	262,252	371,386	-	2,247	-
Other assets . . . . .	-	33,038	33,038	451	-	-
Assets limited as to use . . . . .	-	6,364,657	6,364,657	-	-	-
Capital assets:						
Land and construction in progress. . . . .	1,037,408	872,223	1,909,631	-	3,475,940	-
Depreciable capital assets, net. . . . .	24,485,392	23,291,596	47,776,988	45,007	302,789	-
Total capital assets, net. . . . .	25,522,800	24,163,819	49,686,619	45,007	3,778,729	-
Total assets . . . . .	54,190,780	41,183,000	95,373,780	173,300	4,071,128	66,843
<b>Liabilities:</b>						
Accounts payable. . . . .	670,611	388,947	1,059,558	208	182,444	7,600
Retainage payable . . . . .	-	-	-	-	493,689	-
Accrued wages and benefits payable . . . . .	664,586	1,320,235	1,984,821	-	-	6,583
Due to other governments . . . . .	321,485	1,262	322,747	-	-	2,273
Other accrued expenses . . . . .	-	489,049	489,049	641	-	-
Accrued interest payable . . . . .	14,419	62,134	76,553	-	-	-
Unearned revenue . . . . .	-	-	-	-	16,895	-
Long-term liabilities:						
Due within one year . . . . .	1,115,779	344,337	1,460,116	16,921	-	6,509
Due in more than one year. . . . .	6,912,548	7,224,175	14,136,723	67,494	-	8,473
Total liabilities . . . . .	9,699,428	9,830,139	19,529,567	85,264	693,028	31,438
<b>Deferred inflows of resources:</b>						
Property taxes levied for the next fiscal year. . . . .	5,807,152	-	5,807,152	-	-	-
Total deferred inflows of resources . . . . .	5,807,152	-	5,807,152	-	-	-
<b>Net position:</b>						
Net investment in capital assets. . . . .	23,370,536	16,597,803	39,968,339	-	3,104,584	-
Restricted for:						
Capital projects . . . . .	1,962,665	-	1,962,665	-	-	-
Debt service . . . . .	101,327	-	101,327	-	-	-
Public works projects . . . . .	3,438,530	-	3,438,530	-	-	-
Public safety programs. . . . .	849,027	-	849,027	-	-	-
Human services programs . . . . .	6,701,053	-	6,701,053	-	-	-
Real estate assessment. . . . .	921,457	-	921,457	-	-	-
Court special projects . . . . .	263,091	-	263,091	-	-	-
Other purposes. . . . .	426,710	701,341	1,128,051	-	-	-
Unrestricted . . . . .	649,804	14,053,717	14,703,521	88,036	273,516	35,405
Total net position . . . . .	\$ 38,684,200	\$ 31,352,861	\$ 70,037,061	\$ 88,036	\$ 3,378,100	\$ 35,405

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 4,974,040	\$ 2,703,392	\$ 594,509	\$ 3,704
Judicial. . . . .	1,939,960	414,899	84,166	-
Public safety . . . . .	4,335,961	450,748	497,922	-
Public works . . . . .	4,697,817	366,914	3,958,995	765,478
Health. . . . .	269,966	168,667	-	-
Human services . . . . .	13,172,710	2,144,172	6,237,869	2,000
Conservation and recreation . . . . .	248,388	-	-	-
Interest and fiscal charges . . . . .	172,625	285,241	-	-
Total governmental activities. . . . .	<u>29,811,467</u>	<u>6,534,033</u>	<u>11,373,461</u>	<u>771,182</u>
<b>Business-type activities:</b>				
Sewer District. . . . .	1,337,875	1,247,431	-	898,027
Joel Pomerene Memorial Hospital . . . . .	31,524,665	30,439,363	-	-
Total business-type activities . . . . .	<u>32,862,540</u>	<u>31,686,794</u>	<u>-</u>	<u>898,027</u>
Total primary government . . . . .	<u>\$ 62,674,007</u>	<u>\$ 38,220,827</u>	<u>\$ 11,373,461</u>	<u>\$ 1,669,209</u>
<b>Component Units:</b>				
Lynn Hope Industries, Inc. . . . .	\$ 315,223	\$ 126,176	\$ 188,070	\$ -
Holmes County Airport Authority . . . . .	202,272	66,578	-	1,117,028
Regional Planning Commission. . . . .	193,444	105,347	117,000	-
Total component units . . . . .	<u>\$ 710,939</u>	<u>\$ 298,101</u>	<u>\$ 305,070</u>	<u>\$ 1,117,028</u>

**General revenues:**

Property taxes levied for:
General fund . . . . .
Human services - County Board of DD. . . . .
Human services - County Home . . . . .
Sales taxes . . . . .
Grants and entitlements not restricted to specific programs . . . . .
Investment earnings. . . . .
Miscellaneous. . . . .

Total general revenues. . . . .

Change in net position . . . . .

**Net position at beginning of year . . . . .**

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Primary Government</b>			<b>Component Units</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Lynn Hope Industries, Inc.</b>	<b>Holmes County Airport Authority</b>	<b>Regional Planning Commission</b>
\$ (1,672,435)	\$ -	\$ (1,672,435)	\$ -	\$ -	\$ -
(1,440,895)	-	(1,440,895)	-	-	-
(3,387,291)	-	(3,387,291)	-	-	-
393,570	-	393,570	-	-	-
(101,299)	-	(101,299)	-	-	-
(4,788,669)	-	(4,788,669)	-	-	-
(248,388)	-	(248,388)	-	-	-
112,616	-	112,616	-	-	-
<u>(11,132,791)</u>	<u>-</u>	<u>(11,132,791)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	807,583	807,583	-	-	-
-	(1,085,302)	(1,085,302)	-	-	-
-	(277,719)	(277,719)	-	-	-
<u>(11,132,791)</u>	<u>(277,719)</u>	<u>(11,410,510)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	(977)	-	-
-	-	-	-	981,334	-
-	-	-	-	-	28,903
-	-	-	(977)	981,334	28,903
2,318,888	-	2,318,888	-	-	-
2,770,108	-	2,770,108	-	-	-
863,872	-	863,872	-	-	-
6,085,036	-	6,085,036	-	-	-
1,713,962	-	1,713,962	-	-	-
129,729	43,966	173,695	1,042	519	-
148,798	2,447,730	2,596,528	-	361	1,406
<u>14,030,393</u>	<u>2,491,696</u>	<u>16,522,089</u>	<u>1,042</u>	<u>880</u>	<u>1,406</u>
2,897,602	2,213,977	5,111,579	65	982,214	30,309
35,786,598	29,138,884	64,925,482	87,971	2,395,886	5,096
<u>\$ 38,684,200</u>	<u>\$ 31,352,861</u>	<u>\$ 70,037,061</u>	<u>\$ 88,036</u>	<u>\$ 3,378,100</u>	<u>\$ 35,405</u>

HOLMES COUNTY, OHIO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>County Board of DD</u>	<u>Motor Vehicle License and Gas Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 3,806,008	\$ 2,118,768	\$ 1,041,391	\$ 9,118,791	\$ 16,084,958
Cash and cash equivalents in segregated accounts . . .	-	422,279	-	15,187	437,466
Receivables (net of allowance for uncollectibles):					
Sales taxes . . . . .	1,559,776	-	-	129,300	1,689,076
Real and other taxes . . . . .	2,367,540	2,836,601	-	862,580	6,066,721
Accounts . . . . .	72,454	14,549	4,823	145,111	236,937
Accrued interest . . . . .	75	-	-	-	75
Due from other funds . . . . .	1,891	-	-	-	1,891
Due from other governments . . . . .	605,486	268,922	1,956,270	456,563	3,287,241
Prepayments . . . . .	76,158	7,194	1,396	24,386	109,134
Materials and supplies inventory . . . . .	64,693	11,877	658,223	21,579	756,372
Total assets . . . . .	<u>\$ 8,554,081</u>	<u>\$ 5,680,190</u>	<u>\$ 3,662,103</u>	<u>\$ 10,773,497</u>	<u>\$ 28,669,871</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 116,249	\$ 46,891	\$ 39,952	\$ 467,519	\$ 670,611
Accrued wages and benefits payable . . . . .	257,368	137,181	84,311	185,726	664,586
Due to other funds . . . . .	-	-	-	1,891	1,891
Due to other governments . . . . .	86,012	92,866	37,219	105,388	321,485
Total liabilities . . . . .	<u>459,629</u>	<u>276,938</u>	<u>161,482</u>	<u>760,524</u>	<u>1,658,573</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year . . . . .	2,300,000	2,675,652	-	831,500	5,807,152
Delinquent property tax revenue not available . . . . .	67,540	160,949	-	31,080	259,569
Sales tax revenue not available . . . . .	1,033,073	-	-	86,201	1,119,274
Intergovernmental revenue not available . . . . .	448,842	142,012	1,648,441	68,966	2,308,261
Other revenue not available . . . . .	414	846	-	-	1,260
Total deferred inflows of resources . . . . .	<u>3,849,869</u>	<u>2,979,459</u>	<u>1,648,441</u>	<u>1,017,747</u>	<u>9,495,516</u>
<b>Fund balances:</b>					
Nonspendable . . . . .	204,671	19,071	659,619	45,965	929,326
Restricted . . . . .	-	2,404,722	1,192,561	8,495,068	12,092,351
Committed . . . . .	408,393	-	-	456,562	864,955
Assigned . . . . .	2,519,152	-	-	-	2,519,152
Unassigned (deficit) . . . . .	1,112,367	-	-	(2,369)	1,109,998
Total fund balances . . . . .	<u>4,244,583</u>	<u>2,423,793</u>	<u>1,852,180</u>	<u>8,995,226</u>	<u>17,515,782</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 8,554,081</u>	<u>\$ 5,680,190</u>	<u>\$ 3,662,103</u>	<u>\$ 10,773,497</u>	<u>\$ 28,669,871</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

<b>Total governmental fund balances</b>		\$	17,515,782
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			25,522,800
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.			
Sales taxes receivable	\$	1,119,274	
Real and other taxes receivable		259,569	
Intergovernmental receivable		2,308,261	
Accounts receivable		1,260	
Total			3,688,364
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		(4,630,000)	
Landfill closure and postclosure care liability		(2,143,581)	
Capital lease payable		(2,677)	
Compensated absences payable		(1,158,308)	
Accrued interest payable		(14,419)	
Total			(7,948,985)
Unamortized premiums on bond issuances are not recognized in the governmental funds.			(93,761)
<b>Net position of governmental activities</b>		\$	<u>38,684,200</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOLMES COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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>
<b>Revenues:</b>					
Sales taxes. . . . .	\$ 5,533,777	\$ -	\$ -	\$ 517,262	\$ 6,051,039
Real and other taxes. . . . .	2,311,019	2,732,194	-	860,134	5,903,347
Charges for services. . . . .	1,758,223	346,241	141,187	2,959,162	5,204,813
Licenses and permits . . . . .	4,932	-	-	300,718	305,650
Fines and forfeitures . . . . .	99,171	-	42,447	205,741	347,359
Intergovernmental. . . . .	1,448,211	2,649,379	4,685,474	5,009,138	13,792,202
Investment income. . . . .	129,729	651	1,925	109	132,414
Rental income . . . . .	828	-	-	151,816	152,644
Contributions and donations. . . . .	-	13,729	95,308	3,894	112,931
Other . . . . .	179,310	159,102	47,628	303,927	689,967
Total revenues . . . . .	<u>11,465,200</u>	<u>5,901,296</u>	<u>5,013,969</u>	<u>10,311,901</u>	<u>32,692,366</u>
<b>Expenditures:</b>					
Current:					
General government:					
Legislative and executive . . . . .	3,226,331	-	-	1,604,814	4,831,145
Judicial. . . . .	1,721,567	-	-	191,444	1,913,011
Public safety . . . . .	3,613,299	-	-	699,977	4,313,276
Public works . . . . .	-	-	5,153,724	164,669	5,318,393
Health . . . . .	81,951	-	-	191,541	273,492
Human services. . . . .	494,083	5,547,527	-	6,675,886	12,717,496
Conservation and recreation . . . . .	248,388	-	-	-	248,388
Capital outlay . . . . .	25,406	-	-	527,542	552,948
Debt service:					
Principal retirement. . . . .	1,615	-	-	270,000	271,615
Interest and fiscal charges . . . . .	285	-	-	176,829	177,114
Total expenditures . . . . .	<u>9,412,925</u>	<u>5,547,527</u>	<u>5,153,724</u>	<u>10,502,702</u>	<u>30,616,878</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>2,052,275</u>	<u>353,769</u>	<u>(139,755)</u>	<u>(190,801)</u>	<u>2,075,488</u>
<b>Other financing sources (uses):</b>					
Sale of capital assets. . . . .	3,297	-	34,323	-	37,620
Transfers in . . . . .	-	-	-	1,894,112	1,894,112
Transfers (out). . . . .	(1,118,143)	(442,000)	-	(333,969)	(1,894,112)
Total other financing sources (uses) . . . . .	<u>(1,114,846)</u>	<u>(442,000)</u>	<u>34,323</u>	<u>1,560,143</u>	<u>37,620</u>
Net change in fund balances . . . . .	937,429	(88,231)	(105,432)	1,369,342	2,113,108
<b>Fund balances at beginning of year . . . . .</b>	<u>3,307,154</u>	<u>2,512,024</u>	<u>1,957,612</u>	<u>7,625,884</u>	<u>15,402,674</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 4,244,583</u>	<u>\$ 2,423,793</u>	<u>\$ 1,852,180</u>	<u>\$ 8,995,226</u>	<u>\$ 17,515,782</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, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

<b>Net change in fund balances - total governmental funds</b>	\$	2,113,108
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital asset additions	\$ 2,257,680	
Current year depreciation	<u>(1,779,360)</u>	
Total		478,320
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.		
		(118,638)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes	33,997	
Real and other taxes	49,521	
Intergovernmental revenues	(32,595)	
Other revenues	<u>(34,220)</u>	
Total		16,703
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		271,615
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in decreased interest reported in the statement of activities:		
Decrease in accrued interest payable	317	
Amortization of bond premiums	<u>4,172</u>	
Total		4,489
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	13,297	
Landfill closure and postclosure care liability	<u>118,708</u>	
Total		<u>132,005</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>2,897,602</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOLMES COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2013  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Sales taxes . . . . .	\$ 4,000,000	\$ 4,000,000	\$ 5,490,648	\$ 1,490,648
Real and other taxes. . . . .	2,260,500	2,260,500	2,298,247	37,747
Charges for services. . . . .	1,029,600	1,166,465	1,347,681	181,216
Licenses and permits . . . . .	4,050	4,050	4,932	882
Fines and forfeitures . . . . .	92,000	92,000	98,081	6,081
Intergovernmental. . . . .	621,650	984,072	1,438,580	454,508
Investment income. . . . .	150,000	150,000	132,131	(17,869)
Rental income . . . . .	585	585	1,394	809
Other . . . . .	79,500	111,513	140,762	29,249
<b>Total revenues . . . . .</b>	<u>8,237,885</u>	<u>8,769,185</u>	<u>10,952,456</u>	<u>2,183,271</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	4,397,432	4,462,789	4,188,587	274,202
Judicial. . . . .	1,451,148	1,484,038	1,392,568	91,470
Public safety . . . . .	2,477,373	2,598,481	2,596,106	2,375
Health . . . . .	82,463	81,973	81,849	124
Human services. . . . .	392,748	392,748	282,201	110,547
Conservation and recreation . . . . .	258,200	258,388	258,388	-
<b>Total expenditures . . . . .</b>	<u>9,059,364</u>	<u>9,278,417</u>	<u>8,799,699</u>	<u>478,718</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(821,479)</u>	<u>(509,232)</u>	<u>2,152,757</u>	<u>2,661,989</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	1,000	1,000	3,297	2,297
Transfers (out). . . . .	<u>(1,224,162)</u>	<u>(1,413,748)</u>	<u>(1,365,478)</u>	<u>48,270</u>
<b>Total other financing sources (uses) . . . . .</b>	<u>(1,223,162)</u>	<u>(1,412,748)</u>	<u>(1,362,181)</u>	<u>50,567</u>
Net change in fund balances . . . . .	(2,044,641)	(1,921,980)	790,576	2,712,556
<b>Fund balances at beginning of year . . . . .</b>	2,316,699	2,316,699	2,316,699	-
<b>Prior year encumbrances appropriated . . . . .</b>	13,741	13,741	13,741	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 285,799</u>	<u>\$ 408,460</u>	<u>\$ 3,121,016</u>	<u>\$ 2,712,556</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, 2013  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Real and other taxes. . . . .	\$ 2,656,303	\$ 2,656,303	\$ 2,690,358	\$ 34,055
Charges for services. . . . .	366,500	366,500	371,709	5,209
Intergovernmental. . . . .	2,161,110	2,161,110	2,548,036	386,926
Investment income. . . . .	1,512	1,512	651	(861)
Contributions and donations. . . . .	6,300	6,300	14,229	7,929
Other . . . . .	165,605	165,605	159,906	(5,699)
Total revenues . . . . .	<u>5,357,330</u>	<u>5,357,330</u>	<u>5,784,889</u>	<u>427,559</u>
<b>Expenditures:</b>				
Current:				
Human services. . . . .	<u>5,975,333</u>	<u>6,055,292</u>	<u>5,470,972</u>	<u>584,320</u>
Total expenditures . . . . .	<u>5,975,333</u>	<u>6,055,292</u>	<u>5,470,972</u>	<u>584,320</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(618,003)</u>	<u>(697,962)</u>	<u>313,917</u>	<u>1,011,879</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	20,000	20,000	-	(20,000)
Transfers (out) . . . . .	<u>(266,000)</u>	<u>(452,000)</u>	<u>(442,000)</u>	<u>10,000</u>
Total other financing sources (uses). . . . .	<u>(246,000)</u>	<u>(432,000)</u>	<u>(442,000)</u>	<u>(10,000)</u>
Net change in fund balances. . . . .	(864,003)	(1,129,962)	(128,083)	1,001,879
<b>Fund balances at beginning of year . . . . .</b>	<u>2,128,969</u>	<u>2,128,969</u>	<u>2,128,969</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,264,966</u>	<u>\$ 999,007</u>	<u>\$ 2,000,886</u>	<u>\$ 1,001,879</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, 2013  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Charges for services. . . . .	\$ 190,000	\$ 190,000	\$ 141,187	\$ (48,813)
Fines and forfeitures . . . . .	25,000	25,000	39,400	14,400
Intergovernmental. . . . .	4,044,000	4,265,673	4,683,244	417,571
Investment income. . . . .	2,000	2,000	1,925	(75)
Contributions and donations. . . . .	87,000	87,000	168,202	81,202
Other . . . . .	26,000	26,000	47,628	21,628
<b>Total revenues . . . . .</b>	<u>4,374,000</u>	<u>4,595,673</u>	<u>5,081,586</u>	<u>485,913</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	4,984,000	5,205,673	5,170,858	34,815
<b>Total expenditures . . . . .</b>	<u>4,984,000</u>	<u>5,205,673</u>	<u>5,170,858</u>	<u>34,815</u>
Excess of expenditures over revenues. . . . .	<u>(610,000)</u>	<u>(610,000)</u>	<u>(89,272)</u>	<u>520,728</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	10,000	10,000	34,323	24,323
<b>Total other financing sources (uses) . . . . .</b>	<u>10,000</u>	<u>10,000</u>	<u>34,323</u>	<u>24,323</u>
Net change in fund balances . . . . .	(600,000)	(600,000)	(54,949)	545,051
<b>Fund balances at beginning of year . . . . .</b>	<u>1,096,340</u>	<u>1,096,340</u>	<u>1,096,340</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 496,340</u>	<u>\$ 496,340</u>	<u>\$ 1,041,391</u>	<u>\$ 545,051</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOLMES COUNTY, OHIO**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2013**  
**(SEE ACCOUNTANT'S COMPILATION REPORT)**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer District</b>	<b>Joel Pomerene Memorial Hospital</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . . . .	\$ 931,829	\$ -	\$ 931,829
Cash and cash equivalents in segregated accounts. . .	-	4,277,637	4,277,637
Investments in segregated accounts . . . . .	-	769,832	769,832
Receivables (net of allowance for uncollectibles):			
Accounts. . . . .	80,402	3,966,736	4,047,138
Loans . . . . .	6,572	-	6,572
Materials and supplies inventory. . . . .	182	326,044	326,226
Prepayments and other assets . . . . .	-	262,252	262,252
Total current assets . . . . .	<u>1,018,985</u>	<u>9,602,501</u>	<u>10,621,486</u>
Noncurrent assets:			
Other. . . . .	-	33,038	33,038
Assets limited as to use . . . . .	-	6,364,657	6,364,657
Capital assets:			
Land and construction in progress . . . . .	98,503	773,720	872,223
Depreciable capital assets, net. . . . .	11,934,354	11,357,242	23,291,596
Total capital assets, net. . . . .	<u>12,032,857</u>	<u>12,130,962</u>	<u>24,163,819</u>
Total noncurrent assets . . . . .	<u>12,032,857</u>	<u>18,528,657</u>	<u>30,561,514</u>
Total assets. . . . .	<u>13,051,842</u>	<u>28,131,158</u>	<u>41,183,000</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	63,949	324,998	388,947
Accrued wages and benefits payable. . . . .	3,688	1,316,547	1,320,235
Other accrued expenses . . . . .	-	489,049	489,049
Due to other governments . . . . .	1,262	-	1,262
Accrued interest payable . . . . .	62,134	-	62,134
Current portion of compensated absences payable. .	2,174	-	2,174
Current portion of notes payable . . . . .	-	50,000	50,000
Current portion of general obligation bonds payable.	75,000	-	75,000
Current portion of OPWC loans payable. . . . .	61,574	-	61,574
Current portion of USDA loans payable . . . . .	36,000	-	36,000
Current portion of capital lease obligation . . . . .	-	119,589	119,589
Total current liabilities. . . . .	<u>305,781</u>	<u>2,300,183</u>	<u>2,605,964</u>
Long-term liabilities:			
Compensated absences payable. . . . .	322	-	322
Notes payable. . . . .	-	925,000	925,000
General obligation bonds payable . . . . .	2,182,685	-	2,182,685
OPWC loans payable. . . . .	1,417,397	-	1,417,397
USDA loans payable . . . . .	2,485,000	-	2,485,000
Capital lease obligation. . . . .	-	213,771	213,771
Total long-term liabilities . . . . .	<u>6,085,404</u>	<u>1,138,771</u>	<u>7,224,175</u>
Total liabilities . . . . .	<u>6,391,185</u>	<u>3,438,954</u>	<u>9,830,139</u>
<b>Net position:</b>			
Net investment in capital assets. . . . .	5,775,201	10,822,602	16,597,803
Restricted by donor for specific uses . . . . .	-	701,341	701,341
Unrestricted . . . . .	885,456	13,168,261	14,053,717
Total net position . . . . .	<u>\$ 6,660,657</u>	<u>\$ 24,692,204</u>	<u>\$ 31,352,861</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOLMES COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer District</b>	<b>Joel Pomerene Memorial Hospital</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 1,247,431	\$ 30,439,363	\$ 31,686,794
Other operating revenues . . . . .	2,597	2,445,133	2,447,730
Total operating revenues. . . . .	<u>1,250,028</u>	<u>32,884,496</u>	<u>34,134,524</u>
<b>Operating expenses:</b>			
Personal services . . . . .	85,403	16,354,176	16,439,579
Contract services . . . . .	749,237	-	749,237
Materials and supplies. . . . .	36,067	7,925,414	7,961,481
Depreciation. . . . .	318,323	1,227,939	1,546,262
Medical professional fees . . . . .	-	5,895,316	5,895,316
Other . . . . .	-	121,820	121,820
Total operating expenses. . . . .	<u>1,189,030</u>	<u>31,524,665</u>	<u>32,713,695</u>
Operating income . . . . .	<u>60,998</u>	<u>1,359,831</u>	<u>1,420,829</u>
<b>Nonoperating revenues (expenses):</b>			
Interest revenue . . . . .	675	43,291	43,966
Interest and fiscal charges . . . . .	(148,845)	-	(148,845)
Total nonoperating revenues (expenses) . . . . .	<u>(148,170)</u>	<u>43,291</u>	<u>(104,879)</u>
Income (loss) before capital contributions. . . . .	(87,172)	1,403,122	1,315,950
Capital contributions. . . . .	<u>898,027</u>	<u>-</u>	<u>898,027</u>
Change in net position . . . . .	810,855	1,403,122	2,213,977
<b>Net position at beginning of year. . . . .</b>	<u>5,849,802</u>	<u>23,289,082</u>	<u>29,138,884</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 6,660,657</u>	<u>\$ 24,692,204</u>	<u>\$ 31,352,861</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THIS PAGE IS INTENTIONALLY LEFT BLANK**

HOLMES COUNTY, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2013  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer District</b>	<b>Joel Pomerene Memorial Hospital</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from sales/charges for services. . . . .	\$ 1,244,341	\$ 29,543,229	\$ 30,787,570
Cash received from other operations . . . . .	2,597	2,445,133	2,447,730
Cash payments for personal services. . . . .	(85,456)	(16,291,167)	(16,376,623)
Cash payments for contractual services . . . . .	(747,515)	-	(747,515)
Cash payments for materials and supplies . . . . .	(35,793)	(13,687,052)	(13,722,845)
Net cash provided by operating activities . . . . .	<u>378,174</u>	<u>2,010,143</u>	<u>2,388,317</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets . . . . .	(733,131)	(1,432,264)	(2,165,395)
Cash received from grants . . . . .	785,267	-	785,267
Principal payments on capital lease obligations . . . . .	-	(171,285)	(171,285)
Principal payments on bonds, notes and loans. . . . .	(171,575)	(50,000)	(221,575)
Interest payments on bonds, notes and loans. . . . .	(149,597)	-	(149,597)
Net cash used in capital and related financing activities. . . . .	<u>(269,036)</u>	<u>(1,653,549)</u>	<u>(1,922,585)</u>
<b>Cash flows from investing activities:</b>			
Cash received from interest . . . . .	675	34,033	34,708
Change in fair value of investments. . . . .	-	9,258	9,258
Repayments from loans receivable . . . . .	6,195	-	6,195
Net cash provided by investing activities. . . . .	<u>6,870</u>	<u>43,291</u>	<u>50,161</u>
Net increase in cash and cash equivalents. . . . .	116,008	399,885	515,893
<b>Cash and cash equivalents at beginning of year. . . . .</b>	<u>815,821</u>	<u>11,012,241</u>	<u>11,828,062</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 931,829</u>	<u>\$ 11,412,126</u>	<u>\$ 12,343,955</u>
Cash and cash equivalents include the following:			
Cash and cash equivalents . . . . .	\$ 931,829	\$ 4,277,637	\$ 5,209,466
Investment cash and cash equivalents . . . . .	-	769,832	769,832
Assets limited as to use cash and cash equivalents:			
Board designated for future capital improvements . . . . .	-	6,304,776	6,304,776
Board designated for future construction and equipment . . . . .	-	59,881	59,881
<b>Total cash and cash equivalents. . . . .</b>	<u>\$ 931,829</u>	<u>\$ 11,412,126</u>	<u>\$ 12,343,955</u>

HOLMES COUNTY, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2013  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer District</b>	<b>Joel Pomerene Memorial Hospital</b>	<b>Total</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income . . . . .	\$ 60,998	\$ 1,359,831	\$ 1,420,829
Adjustments:			
Depreciation . . . . .	318,323	1,227,939	1,546,262
Changes in assets and liabilities:			
(Increase) in accounts receivable. . . . .	(3,090)	(896,134)	(899,224)
Decrease (increase) in materials and supplies inventory . . . . .	(7)	31,459	31,452
Decrease in prepayments . . . . .	-	101,774	101,774
Increase in accounts payable . . . . .	2,003	42,219	44,222
Increase in accrued wages and benefits. . . . .	317	-	317
Increase in other accrued expenses . . . . .	-	143,055	143,055
(Decrease) in due to other governments . . . . .	(839)	-	(839)
Increase in compensated absences payable . . . . .	469	-	469
Net cash provided by operating activities . . . . .	<u>\$ 378,174</u>	<u>\$ 2,010,143</u>	<u>\$ 2,388,317</u>

**Non-cash transactions:**

At December 31, 2013 and December 31, 2012, the Sewer District fund acquired \$26,884 and \$294,252, respectively, in capital assets on account.  
 The Joel Pomerene Memorial Hospital had \$31,799 in capital assets acquired under capital leases.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOLMES COUNTY, OHIO**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 3,719,972
Cash and cash equivalents in segregated accounts. . . . .	971,101
Receivables:	
Real and other taxes. . . . .	30,284,090
Accounts . . . . .	165,177
Due from other governments . . . . .	<u>1,464,562</u>
Total assets . . . . .	<u>\$ 36,604,902</u>
<b>Liabilities:</b>	
Accrued wages and benefits . . . . .	\$ 11,277
Due to other governments . . . . .	734,924
Undistributed monies. . . . .	<u>35,858,701</u>
Total liabilities. . . . .	<u>\$ 36,604,902</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (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 Joel Pomerene Memorial Hospital enterprise fund's financial information is presented in conformity with GAAP as applied to governmental hospitals and local governmental units.

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

##### A. Reporting Entity

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

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

##### 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, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

Based on the foregoing criteria, the financial activities of the following component units 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, 2 Court St. Suite 21, Millersburg, Ohio 44654.

###### *Holmes County Airport Authority (Airport Authority)*

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

###### *Lynn Hope Industries, Inc. (Workshop)*

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

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component units is identified in Notes 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 activities of the following entities are presented as agency funds within Holmes County's financial statements: District Board of Health and Soil and Water Conservation.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

##### *JOINT VENTURE WITHOUT EQUITY INTEREST*

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

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

##### *JOINTLY GOVERNED ORGANIZATIONS*

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

The mission of the Council is to promote and facilitate collaboration among community agencies serving children and their families and to unite the community in promoting the well-being of children and their families through leadership advocacy, and coordination of services. The Board of Trustees is made up of 18 individuals from various organizations including 5 from the County. The County paid \$5,000 to the Council during 2013.

###### *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 2013, the County paid \$8,375 to MEORC for services provided.

##### *PUBLIC ENTITY RISK POOLS*

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

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board. No county may have more than one representative on the Board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County's payment for insurance to CORSA in 2013 was \$190,437.

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

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

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

#### RELATED ORGANIZATIONS

#### Holmes County Public Library (Library)

The Library provides services aimed at enriching the lives of the citizens of the County through an informed and connected community. The County appoints the governing board of the Library; however, the County cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden on the County. The County serves in a ministerial capacity as taxing authority for the Library. Once the Library Board determines to present a levy to the voters, including the determination of its rate and duration, the County must place the levy on the ballot. The Library determines its own budget. The Library did not receive any funding from the County in 2013.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

The District provides conservation and recreation programs for the benefit of the County's citizens. The three Park District Commissioners are appointed by the Probate Judge of the County. The District hires and fires its own staff, and does not rely on the County to finance deficits. The County is not financially accountable for the District nor 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 2013.

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

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

#### **B. Fund Accounting**

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

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

The following are the County's major governmental funds:

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

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

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

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

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

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

**Fiduciary Funds** - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's only fiduciary funds are agency funds which account for monies held for other governments and undistributed assets related to such activity as the health department, payroll, soil and water conservation and gasoline and license tax.

#### C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the County's proprietary funds are charges for services and fees. Operating expenses for the enterprise fund include personnel and other expenses related to the operations of the enterprise activity. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

#### **D. Basis of Accounting**

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

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance year 2014 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Sales taxes and other receivables not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2013, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

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

#### **E. Budgetary Data**

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the original and final amended certificates issued during 2013.

***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 2013 are included in the final budget amounts in the budget-to-actual comparisons.

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

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

To improve cash management, cash received by the County is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

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

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

During 2013, investments were limited to certificates of deposit, mutual funds, U.S. government obligations and common stock. The investments in mutual funds and common stock are reported at fair value. The common stock is not traded on a quoted market; therefore, the year end fair value is determined as the average of the high and low sales price for the last quarter of 2013. For the money market mutual fund, fair value is determined by the fund's shares price at December 31, 2013. 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 2013 amounted to \$129,729 which includes \$106,983 assigned from other County funds.

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

#### **G. Patient Accounts Receivable and Revenue**

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

In 2013, approximately 22 percent of the Hospital's total patient revenue was derived from Medicare payments while approximately 13 percent was derived from Medicaid payments. Additionally, approximately 17 percent of the Hospital's total patient revenue was derived from individual self-payments in 2013. The remaining revenue was derived primarily from commercial insurance payments.

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

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

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

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

##### I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets are depreciated except for land and construction in process. Improvements are depreciated over the remaining useful lives of the related capital assets.

The Hospital reports its capital assets with the business-type activities; however, they maintain a capitalization threshold of \$500 and use different useful lives. Capital assets reported by the Hospital include land, construction in progress, 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 2013, the net interest expense incurred on proprietary fund construction projects was not material.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

##### **J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2013, 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, 2013, 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. Prepayments**

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepayments using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

##### **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, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### 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 2011 and Medicaid through 2007.

##### **N. Assets Limited as to Use**

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

##### **O. Interfund Transactions**

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

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

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

##### **P. Fund Balance**

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

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

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

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

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

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

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

#### **R. Estimates**

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

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

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

##### T. Unamortized Bond Premiums and Discounts

Bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

On the governmental fund financial statements, bond premiums and discounts are recognized in the current period.

##### U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County Commissioners and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2013.

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

##### A. Change in Accounting Principles

For fiscal year 2013, the County has implemented GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*" and GASB Statement No. 66, "*Technical Corrections-2012*".

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the County.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the County.

##### B. Deficit Fund Balance

The victim's advocacy nonmajor governmental fund had a deficit fund balance of \$2,369 at December 31, 2013. This fund complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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 \$3,899 in unrecorded cash which is included on the financial statements as part of "equity in pooled cash and cash equivalents".

##### B. Cash on Hand

At year end, the County had \$97,080 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, 2013, the carrying amount of all County deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$32,595,989. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2013, \$26,699,884 of the County's bank balance of \$33,086,886 was exposed to custodial risk as discussed below, while \$6,387,002 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.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

**D. Investments**

The County had the following investments and maturities, all of which are held by the Hospital. This table also shows the percentage of each investment type held at December 31, 2013:

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	\$ 162,944	N/A-3	N/A-3	17.73%
N/A-1	N/A-1	N/A-1	Killbuck Savings Bank common stock	167,670	N/A-3	N/A-3	18.25%
N/A-1	N/A-1	N/A-1	Newell-Rubbermaid common stock	4,602	N/A-3	N/A-3	0.50%
N/A-2	N/A-2	N/A-2	U.S. Treasury bonds	250,585	30,019	220,566	27.27%
		3 star rating	Federated mutual funds - equity	9,879	N/A-3	N/A-3	1.08%
		3 star rating	Fidelity mutual funds - equity	32,190	N/A-3	N/A-3	3.50%
		3 star rating	T. Rowe Price mutual funds - equity	115,507	N/A-3	N/A-3	12.57%
		3 star rating	Vanguard mutual funds - equity	150,564	N/A-3	N/A-3	16.38%
N/A-1	N/A-1	N/A-1	Ohio hospital association stock	25,000	N/A-3	N/A-3	2.72%
			Total	<u>\$ 918,941</u>	<u>\$ 30,019</u>	<u>\$ 220,566</u>	<u>100.00%</u>

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

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

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 County's policy to limit its investments in these investment types to the top two ratings issued by NRSROs. The County had no investments on their books as of December 31, 2013. 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.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 32,595,989
Investments	918,941
Unrecorded cash	3,899
Cash on hand	<u>97,080</u>
Total	<u>\$ 33,615,909</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 16,522,424
Business-type activities	12,343,955
Component unit*	58,457
Agency	<u>4,691,073</u>
Total	<u>\$ 33,615,909</u>

\*Cash and cash equivalents of the Holmes County Regional Planning Commission are pooled and invested by the County (See Note 26 for detail). Cash and cash equivalents of Lynn Hope Industries, Inc. and the Holmes County Airport Authority are held separate from the County (See Notes 27 and 28, respectively, for detail) and are reported on the financial statements as "cash and cash equivalents in segregated accounts."

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended December 31, 2013, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 1,118,143
<u>Transfers from county board of DD fund to:</u>	
Nonmajor governmental funds	442,000
<u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>333,969</u>
Total	<u>\$ 1,894,112</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) to move monies set-aside for capital improvements.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

The Board of DD transferred \$442,000 to the Board of DD capital projects fund (a nonmajor governmental fund) for the purpose of funding capital improvements. Transfers between nonmajor governmental funds included \$106,973 and \$65,343 from the public assistance fund to the child support enforcement fund and children's services fund, respectively, for the purpose of funding required local contributions, and \$161,653 from the solid waste district fund to the landfill closure debt service fund, to provide resources for a required debt payment.

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

- B. Due to/from other funds at December 31, 2013, as reported on the fund financial statements, consisted of \$1,891 due from the victim's advocacy nonmajor governmental fund. This due to/from other funds represents amounts owed between funds to cover negative cash balances. Amounts due to/from other funds between governmental funds are eliminated for reporting on the statement of net position.

#### NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Auditor collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2013 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2013 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue.

The full tax rate for all County operations for the year ended December 31, 2013 was \$12.70 per \$1,000 of assessed value. The total assessed value of real property upon which 2013 property tax receipts were based was \$836,614,500.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2013, consisted of taxes, interest, accounts (billings for user charged services and other fees), interfund receivables, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the balance sheet and statement of net position and all interfund receivables have been classified as "due to/from other funds" on the balance sheet and statement of net position. Sewer loans receivable have been recorded as described in Note 7.D. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

**A. Permissive Sales and Use Tax**

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

Amounts that have been collected by the State and that are to be received within the available period are accrued as revenue on the fund financial statements. Each month, the sales tax revenue is allocated to County funds in accordance with the yearly Resolution adopted by the Commissioner. During 2013, sales tax revenue was allocated to the general fund and the following nonmajor governmental funds: the 911 fund, the solid waste district fund, the capital improvements fund and the general obligation debt service fund. Sales tax revenue for 2013 amounted to \$6,051,039 as reported on the fund financial statements.

THIS SPACE IS INTENTIONALLY LEFT BLANK

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**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	\$ 140,417
Local government	225,000
Casino taxes	217,894
Other	<u>22,175</u>
Total	<u>605,486</u>
<u>County Board of DD</u>	
Grants	126,910
Homestead and rollback	<u>142,012</u>
Total	<u>268,922</u>
<u>Motor vehicle license and gas tax</u>	
Gasoline excise and motor vehicle license tax	<u>1,956,270</u>
Total	<u>1,956,270</u>
<u>Nonmajor governmental funds</u>	
Public assistance	191,888
Child support enforcement	147,673
Work enforcement act	2,082
State victims assistance grants	2,989
County home	49,439
Moving Ohio forward	24,340
CHIP	16,000
Children services	<u>22,152</u>
Total	<u>456,563</u>
Total governmental funds	<u>\$ 3,287,241</u>
<u>Agency funds</u>	
County public library	\$ 494,749
Gasoline and license tax	724,511
Undivided local government	150,000
Health district	40,000
Park district	6,481
Travel and tourism	<u>48,821</u>
Total agency funds	<u>\$ 1,464,562</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**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	\$ 80,402	\$ -	\$ -	\$ 80,402
Joel Pomerene Hospital	<u>7,556,760</u>	<u>(1,931,524)</u>	<u>(1,658,500)</u>	<u>3,966,736</u>
Total enterprise funds	<u>\$ 7,637,162</u>	<u>\$ (1,931,524)</u>	<u>\$ (1,658,500)</u>	<u>\$ 4,047,138</u>

**D. Sewer Loans Receivable**

The sewer district financed access fees for the Berlin wastewater treatment facility. The amounts owed to the sewer district for these services are recorded as "loans receivable" on the financial statements. During 2013, the County received principal and interest payments of \$6,195 and \$675, respectively. As of December 31, 2013, there were \$6,572 in loans receivable.

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

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

	<u>Sewer District</u>	<u>Joel Pomerene Hospital</u>	<u>Charges for Services Total</u>
Gross charges for service revenue	\$ 1,247,431	\$ 58,429,165	\$ 59,676,596
Revenue deductions:			
Provision for contractual allowances	-	(25,672,508)	(25,672,508)
Bad debts	<u>-</u>	<u>(2,317,294)</u>	<u>(2,317,294)</u>
Net charges for services revenue	<u>\$ 1,247,431</u>	<u>\$ 30,439,363</u>	<u>\$ 31,686,794</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013, was as follows:

<b><u>Governmental activities:</u></b>	Balance 12/31/2012	Additions	Deductions	Balance 12/31/2013
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,037,408	\$ -	\$ -	\$ 1,037,408
Construction in progress	42,064	-	(42,064)	-
Total capital assets, not being depreciated	<u>1,079,472</u>	-	<u>(42,064)</u>	<u>1,037,408</u>
<i>Capital assets, being depreciated:</i>				
Buildings	17,855,681	-	-	17,855,681
Improvements other than buildings	159,133	-	-	159,133
Furniture, fixtures and equipment	4,349,111	35,072	(91,199)	4,292,984
Vehicles	4,525,916	731,863	(377,942)	4,879,837
Infrastructure	27,505,549	1,490,745	-	28,996,294
Total capital assets, being depreciated	<u>54,395,390</u>	<u>2,257,680</u>	<u>(469,141)</u>	<u>56,183,929</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(10,258,394)	(494,579)	-	(10,752,973)
Improvements other than buildings	(93,314)	(4,511)	-	(97,825)
Furniture, fixtures and equipment	(3,048,175)	(192,945)	39,162	(3,201,958)
Vehicles	(3,187,190)	(320,019)	353,405	(3,153,804)
Infrastructure	(13,724,671)	(767,306)	-	(14,491,977)
Total accumulated depreciation	<u>(30,311,744)</u>	<u>(1,779,360)</u>	<u>392,567</u>	<u>(31,698,537)</u>
Total capital assets, being depreciated net	<u>24,083,646</u>	<u>478,320</u>	<u>(76,574)</u>	<u>24,485,392</u>
Governmental activities capital assets, net	<u>\$ 25,163,118</u>	<u>\$ 478,320</u>	<u>\$ (118,638)</u>	<u>\$ 25,522,800</u>

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

<b><u>Governmental activities:</u></b>	
Legislative and executive	\$ 109,914
Judicial	21,864
Public safety	200,710
Public works	1,019,350
Health	2,619
Human services	<u>424,903</u>
Total depreciation expense - governmental activities	<u>\$ 1,779,360</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

<b><u>Business-type activities:</u></b>	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
	12/31/20112			12/31/2013
<i>Capital assets, not being depreciated:</i>				
Land	\$ 700,423	\$ -	\$ -	\$ 700,423
Construction in progress	<u>6,843,470</u>	<u>640,971</u>	<u>(7,312,641)</u>	<u>171,800</u>
Total capital assets, not being depreciated	<u>7,543,893</u>	<u>640,971</u>	<u>(7,312,641)</u>	<u>872,223</u>
<i>Capital assets, being depreciated:</i>				
Land improvement	976,002	-	-	976,002
Buildings and improvement	2,679,103	6,293,830	-	8,972,933
Equipment and machinery	905,142	33,572	-	938,714
Sewer/water lines	5,405,221	981,831	-	6,387,052
Building and fixed equipment	18,286,865	96,208	-	18,383,073
Moveable equipment	12,060,632	1,302,047	(191,212)	13,171,467
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>41,104,486</u>	<u>8,707,488</u>	<u>(191,212)</u>	<u>49,620,762</u>
<i>Less: accumulated depreciation:</i>				
Land improvement	(670,468)	(28,123)	-	(698,591)
Buildings and improvements	(1,333,721)	(146,508)	-	(1,480,229)
Equipment and machinery	(552,750)	(28,804)	-	(581,554)
Sewer/water lines	(2,159,551)	(143,011)	-	(2,302,562)
Building and fixed equipment	(9,349,501)	(568,562)	-	(9,918,063)
Moveable inventory	(10,191,147)	(631,201)	85,220	(10,737,128)
Sub-specialty medical clinic	(144,200)	-	-	(144,200)
Modular medical office building	(449,786)	(53)	-	(449,839)
OB/GYN clinic moveable equipment	<u>(17,000)</u>	<u>-</u>	<u>-</u>	<u>(17,000)</u>
Total accumulated depreciation	<u>(24,868,124)</u>	<u>(1,546,262)</u>	<u>85,220</u>	<u>(26,329,166)</u>
Total capital assets, being depreciated net	<u>16,236,362</u>	<u>7,161,226</u>	<u>(105,992)</u>	<u>23,291,596</u>
Business-type activities capital assets, net	<u>\$ 23,780,255</u>	<u>\$ 7,802,197</u>	<u>\$ (7,418,633)</u>	<u>\$ 24,163,819</u>

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

<b><u>Business-type activities:</u></b>	
Sewer district	\$ 318,323
Joel Pomerene Memorial Hospital	<u>1,227,939</u>
Total depreciation expense - business-type activities	<u>\$ 1,546,262</u>

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

**A. Governmental Activities**

In a prior year the County entered into a capital lease agreement for copier equipment. Capital assets consisting of equipment have been capitalized in the amount of \$8,109. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2013 was \$2,838, leaving a current book value of \$5,271. A corresponding liability was recorded in the statement of net position. Principal payments in 2013 totaled \$1,615 paid by the County from the general fund.

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

<u>Year</u>	<u>Payment</u>
2014	\$ 1,900
2015	<u>950</u>
Total minimum lease payments	2,850
Less: Amounts representing interest	<u>(173)</u>
Present value of minimum lease payments	<u>\$ 2,677</u>

**B. Business-Type Activities**

The Hospital has entered into various non-cancelable lease agreements for equipment. These capital leases are due in monthly installments including interest at rates ranging from 0 to 7.9 percent. They expire at various times through 2020 and are collateralized by the equipment leased. Capital assets consisting of equipment have been capitalized in the amount of \$1,076,183. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2013 was \$322,062, leaving a current book value of \$754,121. A corresponding liability was recorded in the statement of net position. Principal payments in 2013 totaled \$171,285 paid by the Hospital.

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

<u>Year Ended</u>	<u>Hospital</u>
2014	\$ 123,179
2015	48,595
2016	41,623
2017	33,333
2018	33,333
2019 - 2020	<u>58,333</u>
Total minimum lease payments	338,396
Less: Amounts representing interest	<u>(5,036)</u>
Present value of minimum lease payments	<u>\$ 333,360</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**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 \$470,219 in 2013.

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 \$28,057. Office lease expense totaled \$286,321 in 2013.

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 \$69,884 in 2013.

**NOTE 12 - LONG-TERM OBLIGATIONS**

**A. Long-Term Obligations**

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

	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>
<u>General obligation bonds:</u>			
1998 Capital facilities	4.25%	\$ 2,400,000	12/1/2012
2011 Landfill improvement	1.00-5.25%	2,600,000	12/1/2041
2011 Various purpose refunding	1.00-4.00%	2,770,000	12/1/2024
2012 Sewer system improvement refundng	1.10-4.25%	2,380,000	12/1/2036
USDA loan	3.25%	2,556,000	3/1/2050
<u>OPWC loans:</u>			
Sanitary sewer plant	0.00%	58,226	7/1/2022
Mt. Hope	0.00%	78,018	1/1/2021
Walnut Creek	0.00%	167,254	7/1/2026
Walnut Creek Upgrade	0.00%	1,000,000	1/1/2032
October Hills	0.00%	391,986	7/1/2042

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

During 2013, the following activity occurred in the County's governmental long-term obligations:

	<u>Balance 12/31/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2013</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>					
Series 2011 landfill improvement bonds	\$ 2,545,000	\$ -	\$ (50,000)	\$ 2,495,000	\$ 55,000
Series 2011 various purpose refunding bonds	<u>2,355,000</u>	<u>-</u>	<u>(220,000)</u>	<u>2,135,000</u>	<u>225,000</u>
Total general obligation bonds	<u>\$ 4,900,000</u>	<u>\$ -</u>	<u>\$ (270,000)</u>	<u>\$ 4,630,000</u>	<u>\$ 280,000</u>
<u>Other long-term obligations:</u>					
Landfill closure and postclosure care liability	\$ 2,262,289	\$ -	\$ (118,708)	\$ 2,143,581	\$ 73,080
Capital lease obligation	4,292	-	(1,615)	2,677	1,749
Compensated absences payable	<u>1,172,329</u>	<u>757,330</u>	<u>(771,351)</u>	<u>1,158,308</u>	<u>760,950</u>
Total other long-term obligations	<u>\$ 3,438,910</u>	<u>\$ 757,330</u>	<u>\$ (891,674)</u>	<u>\$ 3,304,566</u>	<u>\$ 835,779</u>
Total governmental activities long-term obligations	<u>\$ 8,338,910</u>	<u>\$ 757,330</u>	<u>\$ (1,161,674)</u>	<u>\$ 7,934,566</u>	<u>\$ 1,115,779</u>
Add: unamortized premium on bonds				<u>93,761</u>	
Total on the statement of net position				<u>\$ 8,028,327</u>	

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

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

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**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>Nonmajor Governmental Funds</u></p> <p>Dog and kennel</p> <p>Public assistance</p> <p>Tax map</p>	<p><u>Nonmajor 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>
--	---

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 280,000	\$ 173,029	\$ 453,029
2015	280,000	167,263	447,263
2016	285,000	161,499	446,499
2017	295,000	155,634	450,634
2018	300,000	148,849	448,849
2019 - 2023	1,135,000	617,337	1,752,337
2024 - 2028	530,000	449,275	979,275
2029 - 2033	475,000	345,062	820,062
2034 - 2038	605,000	213,500	818,500
2039 - 2041	<u>445,000</u>	<u>47,513</u>	<u>492,513</u>
Total	<u>\$ 4,630,000</u>	<u>\$ 2,478,961</u>	<u>\$ 7,108,961</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

During 2013, the following activity occurred in the County's business-type activities long-term obligations:

	<u>Balance</u> 12/31/2012	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 12/31/2013	<u>Amounts</u> Due in <u>One Year</u>
<u>General obligation bonds:</u>					
Sewer system improvement refunding	\$ 2,335,000	\$ -	\$ (75,000)	\$ 2,260,000	\$ 75,000
<u>OPWC loans:</u>					
Sanitary sewer plant	27,657	-	(2,911)	24,746	2,911
Mt. Hope	31,208	-	(3,901)	27,307	3,901
Walnut Creek	112,895	-	(8,363)	104,532	8,363
Walnut Creek Upgrade	983,333	-	(33,333)	950,000	33,333
October Hills	385,453	-	(13,067)	372,386	13,066
Walnut Creek	112,760	-	(112,760)	-	-
Total OPWC loans	<u>1,653,306</u>	<u>-</u>	<u>(174,335)</u>	<u>1,478,971</u>	<u>61,574</u>
<u>Other long-term obligations:</u>					
USDA loan	2,556,000	-	(35,000)	2,521,000	36,000
Note payable	1,025,000	-	(50,000)	975,000	50,000
Capital leases-equipment	472,846	31,799	(171,285)	333,360	119,589
Compensated absences	2,027	2,174	(1,705)	2,496	2,174
Total other long-term obligations	<u>4,055,873</u>	<u>33,973</u>	<u>(257,990)</u>	<u>3,831,856</u>	<u>207,763</u>
Total business-type activities long-term obligations	<u>\$ 8,044,179</u>	<u>\$ 33,973</u>	<u>\$ (507,325)</u>	<u>7,570,827</u>	<u>\$344,337</u>
Less: unamortized discount on bonds				<u>(2,315)</u>	
Total on the statement of net position				<u>\$ 7,568,512</u>	

General Obligation Refunding Bonds: On September 11, 2012, the County issued \$2,380,000 in sewer system improvement refunding bonds to currently refund the callable portion of the 1997 sewer system improvement bonds (principal \$2,271,500). The refunded debt is considered defeased (in substance) and accordingly, has been removed from the statement of net position. The amount of defeased debt outstanding at December 31, 2013 was \$2,220,500. The refunding bond issue is comprised of term bonds with interest rates ranging from 1.10% to 4.25%. Principal and interest payments are made from the sewer district fund.

OPWC Loans: The Ohio Public Works Commission (OPWC) loans are general obligations of the County and will be repaid from the sewer district fund. The OPWC loans are interest free, providing repayment remains current.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**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.

Note Payable: The Hospital has obtained a \$1,250,000, unsecured, interest-free, loan from Aultman Health Foundation (Aultman), with monthly payments of \$4,167 through July 2033. Aultman has the option to call the loan in July 2018. A corresponding liability was recorded in the statement of net position. Principal payments in 2013 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, 2013.

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

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

Year Ended	General obligation bonds			OPWC	Note
	Principal	Interest	Total	Loans	Payable
	Principal	Interest	Total	Principal	Principal
2014	\$ 75,000	\$ 65,703	\$ 140,703	\$ 61,574	\$ 50,000
2015	75,000	64,878	139,878	61,576	50,000
2016	75,000	64,053	139,053	61,573	50,000
2017	75,000	62,653	137,653	61,574	50,000
2018	80,000	61,253	141,253	61,576	775,000
2019 - 2023	420,000	282,002	702,002	291,801	-
2024 - 2028	490,000	223,938	713,938	252,904	-
2029 - 2033	575,000	144,535	719,535	231,998	-
2034 - 2038	395,000	33,576	428,576	231,997	-
2039 - 2042	-	-	-	162,398	-
Total	<u>\$ 2,260,000</u>	<u>\$ 1,002,591</u>	<u>\$ 3,262,591</u>	<u>\$ 1,478,971</u>	<u>\$ 975,000</u>

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

<u>Year Ended</u>	<u>USDA loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 36,000	\$ 81,933	\$ 117,933
2015	38,000	80,763	118,763
2016	39,000	79,622	118,622
2017	40,000	78,325	118,325
2018	41,000	77,058	118,058
2019 - 2023	225,000	365,196	590,196
2024 - 2028	267,000	325,427	592,427
2029 - 2033	313,000	279,608	592,608
2034 - 2038	365,000	225,033	590,033
2039 - 2043	429,000	161,650	590,650
2044 - 2048	504,000	87,129	591,129
2049 - 2050	224,000	11,148	235,148
<b>Total</b>	<b>\$ 2,521,000</b>	<b>\$ 1,852,892</b>	<b>\$ 4,373,892</b>

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, at December 31, 2013, the County's total legal debt margin was \$14,864,646 and the unvoted legal debt margin was \$3,815,428.

**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, 2013, the County's total liability for unpaid compensated absences was \$1,160,804.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

##### B. Health and Life Insurance

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

#### NOTE 14 - RISK MANAGEMENT

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

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

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the CORSA are managed by an elected Board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any one time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

With the exception of health insurance and workers' compensation, all insurance is held with CORSA. 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 2013, 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, 2013 (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, 277 East Town Street, 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 2013 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 2013 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 12.00% and 12.60%, respectively. The County's contribution rate for 2013 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, 2013 (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 2013 was 13.00%. The County's contribution rate for pension benefits for members in the Combined Plan was 13.00%. For those plan members in law enforcement and public safety pension contributions were 17.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$1,664,146, \$1,294,759, and \$1,338,101, respectively; 100% has been contributed for all three years. Contributions to the member-directed plan for 2013 were \$34,514 made by the County and \$26,806 made by the plan members.

The Hospital's contributions for pension obligations were approximately \$1,107,216, \$1,094,315 and \$1,117,027 for the years ended December 31, 2013, 2012 and 2011, respectively.

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

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

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For 2013, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (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, 2013, 2012 and 2011 were \$64,521, \$71,717 and \$76,235, respectively; 100 percent has been contributed for all three years.

#### NOTE 16 - POSTEMPLOYMENT BENEFIT PLANS

##### A. Ohio Public Employees Retirement

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, 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 2013 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 2013 was 1.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2013 was 1.00%.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$168,204, \$500,743, and \$520,034, respectively; 100% has been contributed for all three years.

The Hospital's contributions to fund post-employment health care benefits were approximately \$442,855, \$437,696 and \$446,780 for the years ended December 31, 2013, 2012 and 2011, respectively.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2012, 2011 and 2010 were \$4,963, \$5,517 and \$5,864, respectively; 100 percent has been contributed for all three years.

#### NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (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, 2013  
(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	\$ 790,576	\$ (128,083)	\$ (54,949)
Net adjustment for revenue accruals	91,032	116,407	(67,617)
Net adjustment for expenditure accruals	(272,984)	(76,555)	17,134
Net adjustment for other sources/uses	247,335	-	-
Funds budgeted elsewhere	74,898	-	-
Adjustment for encumbrances	<u>6,572</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$ 937,429</u>	<u>\$ (88,231)</u>	<u>\$ (105,432)</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, 2013.

**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, 2013.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 19 - FUND BALANCE**

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

Fund balance	General	County Board of DD	Motor Vehicle License and Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 64,693	\$ 11,877	\$ 658,223	\$ 21,579	\$ 756,372
Prepayments	76,158	7,194	1,396	24,386	109,134
Unclaimed monies	<u>63,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,820</u>
Total nonspendable	<u>204,671</u>	<u>19,071</u>	<u>659,619</u>	<u>45,965</u>	<u>929,326</u>
Restricted:					
Capital projects	-	-	-	1,473,896	1,473,896
Debt service	-	-	-	79,283	79,283
Public works projects	-	-	1,192,561	114,620	1,307,181
Public safety programs	-	-	-	851,816	851,816
Human services programs	-	2,404,722	-	4,346,597	6,751,319
Real estate assessment	-	-	-	934,317	934,317
Court special projects	-	-	-	262,287	262,287
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>432,252</u>	<u>432,252</u>
Total restricted	<u>-</u>	<u>2,404,722</u>	<u>1,192,561</u>	<u>8,495,068</u>	<u>12,092,351</u>
Committed:					
Capital projects	-	-	-	456,562	456,562
Compensated absences	280,016	-	-	-	280,016
Employee benefits	<u>128,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,377</u>
Total committed	<u>408,393</u>	<u>-</u>	<u>-</u>	<u>456,562</u>	<u>864,955</u>
Assigned:					
Subsequent year appropriations	2,413,896	-	-	-	2,413,896
Public safety programs	102,093	-	-	-	102,093
Other purposes	<u>3,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,163</u>
Total assigned	<u>2,519,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,519,152</u>
Unassigned (deficit)	<u>1,112,367</u>	<u>-</u>	<u>-</u>	<u>(2,369)</u>	<u>1,109,998</u>
Total fund balances	<u>\$ 4,244,583</u>	<u>\$ 2,423,793</u>	<u>\$ 1,852,180</u>	<u>\$ 8,995,226</u>	<u>\$ 17,515,782</u>

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

**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	\$ 3,163
Nonmajor governmental	<u>66,583</u>
Total	<u>\$ 69,746</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, 2013, of \$2,143,581 represents the estimated remaining postclosure care costs. This amount represents an estimate of what it would cost to perform all postclosure care at December 31, 2013. 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 \$1,210,176 in 2013.

**NOTE 23 - MEDICAL MALPRACTICE CLAIMS**

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

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

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 24 - RELATED PARTY TRANSACTIONS**

During 2013, 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 \$187,625 for in-kind contributions. Lynn Hope Industries recorded operating revenues and expenses at cost or fair value as applicable, to the extent the contribution is related to the vocational purpose of the Workshop.

The Holmes County Board of DD paid \$16,245 to Lynn Hope Industries, Inc. for services provided during 2013.

**NOTE 25 - CONTRACTUAL COMMITMENTS**

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

Contractor	Contract Amount	Expended	Balance at 12/31/13
Fechko Excavating	\$ 2,736,838	\$ 1,705,045	\$ 1,031,793
Stantec Consulting Services Inc.	<u>440,705</u>	<u>215,361</u>	<u>225,344</u>
	<u>\$ 3,177,543</u>	<u>\$ 1,920,406</u>	<u>\$ 1,257,137</u>

**NOTE 26 - HOLMES COUNTY REGIONAL PLANNING COMMISSION**

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

**A. Basis of Accounting**

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

**B. Deposits and Investments**

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

**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, 2013, vacation and sick leave liability were \$6,509 and \$8,473, respectively. The entire compensated absences liability is reported on the government-wide financial statements.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### 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. The Organization, which contracts to provide services to the Holmes County Board of Developmental Disabilities, is reported as a discretely presented component unit in the County's financial statements.

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

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

Depreciation is based on the following policies:

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

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

Designation of Contributions - Contributors to the Organization have the ability to designate the programs to be benefited by their contributions. During the year ended December 31, 2013, there were no restricted contributions to the Organization.

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

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

##### B. Non-Cash Transactions

The Organization received in-kind services and facilities for the year ended December 31, 2013 from the Holmes County Board of DD. The value of the in-kind contribution was determined to be \$173,503 and is recorded in operating grants and operating expenses as an equivalent amount.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

**C. Deposits and Investments**

The carrying amount of the Organization's deposits at year end was \$105,960 and the bank balance was \$108,347. The entire bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

**D. Related Parties**

Total revenues from contracts to provide services to the Holmes County Board of DD were \$14,545 for the year ended December 31, 2013. The Organization had \$1,262 in accounts receivable from the Holmes County Board of DD at December 31, 2013.

**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 2018. The note is not collateralized.

Note payable	\$ 84,415
Less: current portion	<u>(16,921)</u>
Total	<u>\$ 67,494</u>

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

2014	\$ 16,921
2015	17,965
2016	19,073
2017	20,249
2018	<u>10,207</u>
Total	<u>\$ 84,415</u>

**F. Capital Assets**

A summary of capital assets at December 31, 2013 follows:

Equipment	\$ 76,730
Vehicles	89,177
Furniture and fixtures	3,804
Building improvements	<u>2,971</u>
Subtotal	172,682
Less: accumulated depreciation	<u>(127,675)</u>
Net capital assets	<u>\$ 45,007</u>

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

**NOTE 28 - HOLMES COUNTY AIRPORT AUTHORITY**

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

**A. Basis of Accounting**

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

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

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

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

A summary of capital assets at December 31, 2013, follows:

Land	\$ 54,357
Construction in progress	3,421,583
Buildings and improvements	581,743
Equipment	<u>137,264</u>
Subtotal	4,194,947
Less: accumulated depreciation	<u>(416,218)</u>
Net capital assets	<u>\$ 3,778,729</u>

**B. Deposits with Financial Institutions**

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

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

At December 31, 2013, the carrying amount and bank balance of the Airport Authority's deposits was \$267,684. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2013, \$17,684 of the Airport Authority's bank balance was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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