

**HOLMES COUNTY, OHIO**

***BASIC  
FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED  
DECEMBER 31, 2010***

**HONORABLE JACKIE MCKEE, AUDITOR**

**HOLMES COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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**Julian & Grube, Inc.**  
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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, 2010, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis, on pages 3 through 14, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*Julian & Grube, Inc.*

April 29, 2011

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (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, 2010. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the transmittal letter, 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 2010 are as follows:

- The total net assets of the County increased \$1,964,383. Net assets of governmental activities increased \$2,187,966, which represents a 6.58% increase over fiscal year 2009. Net assets of business-type activities decreased \$223,583 or 1.03% from fiscal year 2009.
- General revenues accounted for \$11,602,938 or 39.76% of total governmental activities revenue. Program specific revenues accounted for \$17,582,194 or 60.24% of total governmental activities revenue.
- The County had \$26,997,166 in expenses; \$17,582,194 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$11,602,938 were adequate to provide for these programs.
- The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$9,083,308 in 2010, a decrease of \$290,270 or 3.10% from 2009 revenues. The general fund, had expenditures and other financing uses of \$8,527,380 in 2010, a decrease of \$676,277 or 7.35% from 2009. The net changes in revenues and expenditures contributed to the general fund balance increase of \$555,928 or 52.57% from 2009 to 2010.
- The county board of developmentally disabled (DD) fund, a major governmental fund, had revenues of \$5,323,744 in 2010, a decrease of \$121,650 or 2.23% from 2009 revenues. The DD fund, had expenditures and other financing uses of \$5,336,918 in 2010, a decrease of \$83,359 or 1.54% from 2009. The net changes in revenues and expenditures contributed to the DD fund balance decrease of \$13,174 or 0.84% from 2009 to 2010.
- The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$5,390,975 in 2010, a decrease of \$1,775,927 or 24.78% from 2009 revenues. The motor vehicle license and gas tax fund, had expenditures of \$5,225,238 in 2010, a decrease of \$2,264,168 or 30.23% from 2009. The motor vehicle license and gas tax fund balance increased of \$165,737 or 12.52% from 2009 to 2010.
- Net assets for the business-type activities, which are made up of the sewer district, East Holmes water, county disposal and Joel Pomerene Memorial Hospital enterprise funds, decreased in 2010 by \$223,583 or 1.03%. This decrease in net assets was mainly due to inadequate charges for services revenue to cover operating expenses.
- In the general fund, the actual revenues and financing sources came in \$358,110 higher than they were originally budgeted and actual expenditures and financing uses were \$519,921 lower than the amount in the original budget. These variances are a result of the County's conservative budgeting process.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### **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.

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

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

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

The statement of net assets and the statement of activities answer the question, "How did we do financially during 2010?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The County's statement of net assets and statement of activities can be found on pages 15-18 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.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

#### ***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 19-24 and the budgetary statements for the general and major special revenue funds can be found on pages 25-27 of this report.

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

The County maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its sewer district, water district, disposal district and the Joel Pomerene Memorial Hospital operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County has no internal service funds. The basic proprietary fund financial statements can be found on pages 28-35 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 36 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 37-82 of this report.

**HOLMES COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**Government-Wide Financial Analysis**

The statement of net assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets for 2010 and 2009.

**Net Assets**

	Governmental Activities 2010	Business-type Activities 2010	Governmental Activities 2009	Business-type Activities 2009	2010 Total	2009 Total
<u>Assets</u>						
Current and other assets	\$ 20,272,609	\$ 15,009,003	\$ 19,111,110	\$ 13,814,274	\$ 35,281,612	\$ 32,925,384
Capital assets	<u>26,844,282</u>	<u>21,594,656</u>	<u>26,297,748</u>	<u>19,214,921</u>	<u>48,438,938</u>	<u>45,512,669</u>
Total assets	<u>47,116,891</u>	<u>36,603,659</u>	<u>45,408,858</u>	<u>33,029,195</u>	<u>83,720,550</u>	<u>78,438,053</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	4,187,998	11,634,579	4,494,860	9,109,808	15,822,577	13,604,668
Other liabilities	<u>7,491,486</u>	<u>3,392,365</u>	<u>7,664,557</u>	<u>2,119,089</u>	<u>10,883,851</u>	<u>9,783,646</u>
Total liabilities	<u>11,679,484</u>	<u>15,026,944</u>	<u>12,159,417</u>	<u>11,228,897</u>	<u>26,706,428</u>	<u>23,388,314</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	23,732,122	14,923,223	22,838,748	15,056,608	38,655,345	37,895,356
Restricted	9,737,292	731,290	9,072,878	667,380	10,468,582	9,740,258
Unrestricted	<u>1,967,993</u>	<u>5,922,202</u>	<u>1,337,815</u>	<u>6,076,310</u>	<u>7,890,195</u>	<u>7,414,125</u>
Total net assets	<u>\$ 35,437,407</u>	<u>\$ 21,576,715</u>	<u>\$ 33,249,441</u>	<u>\$ 21,800,298</u>	<u>\$ 57,014,122</u>	<u>\$ 55,049,739</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the County's assets exceeded liabilities by \$57,014,122. This amounts to \$35,437,407 in governmental activities and \$21,576,715 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 57.86% of total governmental and business-type assets. Capital assets include land, buildings and improvements, furniture, fixtures and equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2010, were \$38,655,345. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2010, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. A portion of the County's governmental activities net assets, \$9,737,292 or 27.48%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net assets of \$1,967,993 may be used to meet the government's ongoing obligations to citizens and creditors.

**HOLMES COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table below shows the changes in net assets for fiscal year 2010 and 2009.

	<b>Change in Net Assets</b>					
	Governmental Activities 2010	Business-type Activities 2010	Governmental Activities 2009	Business-type Activities 2009	2010 Total	2009 Total
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 5,043,812	\$ 32,432,741	\$ 5,129,078	\$ 31,631,262	\$ 37,476,553	\$ 36,760,340
Operating grants and contributions	10,692,829	-	11,844,385	-	10,692,829	11,844,385
Capital grants and contributions	1,845,553	325,000	2,891,288	330,214	2,170,553	3,221,502
<b>Total program revenues</b>	<b>17,582,194</b>	<b>32,757,741</b>	<b>19,864,751</b>	<b>31,961,476</b>	<b>50,339,935</b>	<b>51,826,227</b>
General revenues:						
Property taxes	5,636,136	-	5,455,848	-	5,636,136	5,455,848
Sales tax	4,555,354	-	4,202,640	-	4,555,354	4,202,640
Unrestricted grants	1,088,168	-	1,109,878	-	1,088,168	1,109,878
Investment earnings	237,029	62,474	269,984	173,255	299,503	443,239
Other	86,251	861,244	125,782	784,475	947,495	910,257
<b>Total general revenues</b>	<b>11,602,938</b>	<b>923,718</b>	<b>11,164,132</b>	<b>957,730</b>	<b>12,526,656</b>	<b>12,121,862</b>
<b>Total revenues</b>	<b>29,185,132</b>	<b>33,681,459</b>	<b>31,028,883</b>	<b>32,919,206</b>	<b>62,866,591</b>	<b>63,948,089</b>
<b>Expenses</b>						
Program Expenses:						
General government						
Legislative and executive	4,366,185	-	4,899,174	-	4,366,185	4,899,174
Judicial	1,728,000	-	1,694,571	-	1,728,000	1,694,571
Public safety	3,564,619	-	3,666,990	-	3,564,619	3,666,990
Public works	4,215,355	-	5,559,133	-	4,215,355	5,559,133
Health	246,731	-	227,004	-	246,731	227,004
Human services	12,484,673	-	12,579,981	-	12,484,673	12,579,981
Conservation and recreation	207,858	-	238,250	-	207,858	238,250
Interest and fiscal charges	183,745	-	200,631	-	183,745	200,631
Sewer District	-	1,165,422	-	1,078,912	1,165,422	1,078,912
County Disposal	-	28,288	-	495,088	28,288	495,088
Joel Pomerene Hospital	-	32,711,332	-	32,781,142	32,711,332	32,781,142
Nonmajor:						
East Holmes Water	-	-	-	4,379	-	4,379
<b>Total expenses</b>	<b>26,997,166</b>	<b>33,905,042</b>	<b>29,065,734</b>	<b>34,359,521</b>	<b>60,902,208</b>	<b>63,425,255</b>
<b>Change in net assets</b>	<b>2,187,966</b>	<b>(223,583)</b>	<b>1,963,149</b>	<b>(1,440,315)</b>	<b>1,964,383</b>	<b>522,834</b>
<b>Net assets at beginning of year</b>	<b>33,249,441</b>	<b>21,800,298</b>	<b>31,286,292</b>	<b>23,240,613</b>	<b>55,049,739</b>	<b>54,526,905</b>
<b>Net assets at end of year</b>	<b>\$ 35,437,407</b>	<b>\$ 21,576,715</b>	<b>\$ 33,249,441</b>	<b>\$ 21,800,298</b>	<b>\$ 57,014,122</b>	<b>\$ 55,049,739</b>



## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### Governmental Activities

Governmental net assets increased by \$2,187,966 in 2010 from 2009.

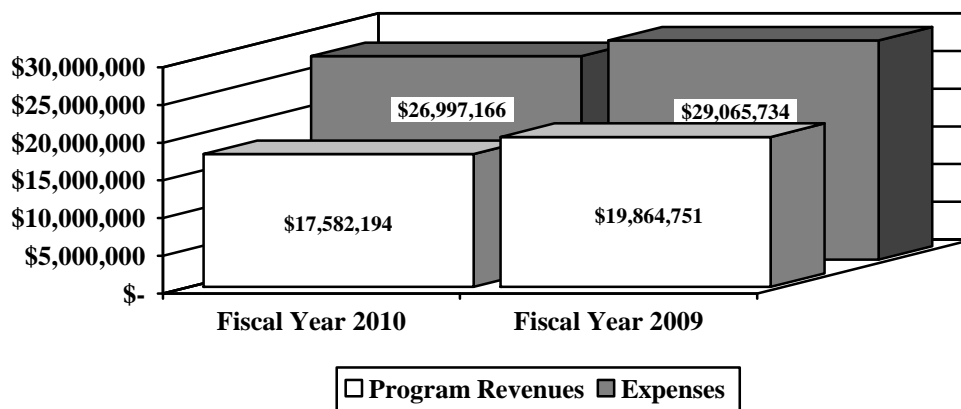
Human services, which supports the operations of the county home, county board of DD, job and family services (public assistance), veteran services, and the children services board, accounts for \$12,484,673 of expenses, or 46.24% of total governmental expenses of the County. These expenses were funded by \$1,287,185 in charges to users of services, \$6,480,298 in operating grants and contributions and \$15,918 in capital grants and contributions in 2010. General government expenses which includes legislative and executive and judicial programs, accounted for \$6,094,185 or 22.57% of total governmental expenses. General government expenses were covered by \$2,811,737 of direct charges to users in 2010.

The State and federal government contributed to the County revenues of \$10,692,829 in operating grants and contributions and \$1,845,553 in capital grants and contributions. During 2010, grants and contributions received from the Ohio Public Works Commission and the Ohio Department of Transportation were reported as capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$11,602,938, and amounted to 39.76% of total revenues. These revenues primarily consist of property and sales tax revenue of \$10,191,490 or 87.84% of total general revenues in 2010. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$1,088,168, or 9.38% of the total.

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 2010 and 2009. 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, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

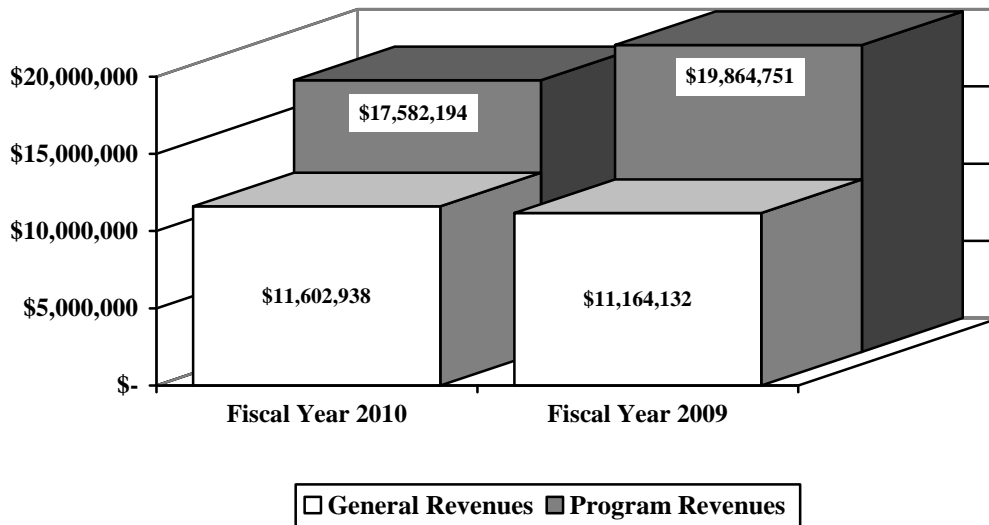
**Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program Expenses:				
General government				
Legislative and executive	\$ 4,366,185	\$ 1,788,725	\$ 4,899,174	\$ 1,966,286
Judicial	1,728,000	1,183,293	1,694,571	1,110,242
Public safety	3,564,619	2,795,184	3,666,990	3,006,932
Public works	4,215,355	(1,375,549)	5,559,133	(1,407,379)
Health	246,731	74,088	227,004	69,094
Human services	12,484,673	4,701,272	12,579,981	4,199,813
Conservation and recreation	207,858	207,858	238,250	213,250
Interest and fiscal charges	183,745	40,101	200,631	42,745
<b>Total</b>	<b>\$ 26,997,166</b>	<b>\$ 9,414,972</b>	<b>\$ 29,065,734</b>	<b>\$ 9,200,983</b>

The dependence upon general revenues for governmental activities is apparent, with 34.87% of expenses supported through taxes and other general revenues during 2010.

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

**Governmental Activities - General and Program Revenues**

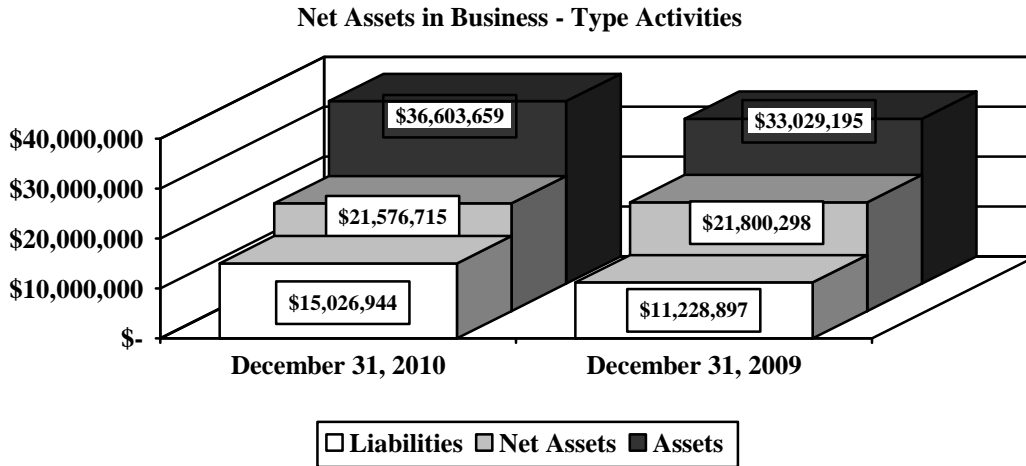


## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### Business-Type Activities

The sewer district, East Holmes water, county disposal and Joel Pomerene Memorial Hospital are the County's enterprise funds. These operations had program revenues of \$32,757,741, general revenues of \$923,718, and expenses of \$33,905,042 for fiscal year 2010. The net assets of the enterprise funds decreased \$223,583 or 1.03% during 2010. The following graph illustrates the assets, liabilities and net assets of the County's business-type activities at December 31, 2010 and 2009:



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

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

#### Governmental Funds

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

The County's governmental funds (as reported on the balance sheet on pages 19-20) reported a combined fund balance of \$9,717,761, which is \$1,027,871 higher than last year's total of \$8,689,890. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2010 for all major and non-major governmental funds.

**HOLMES COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Fund Balances</u> 12/31/10	<u>Fund Balances</u> 12/31/09	<u>Increase/</u> <u>(Decrease)</u>
Major funds:			
General	\$ 1,613,386	\$ 1,057,458	\$ 555,928
County Board of DD	1,560,301	1,573,475	(13,174)
Motor Vehicle License and Gas Tax	1,489,993	1,324,256	165,737
Other nonmajor governmental funds	<u>5,054,081</u>	<u>4,734,701</u>	<u>319,380</u>
 Total	 <u>\$ 9,717,761</u>	 <u>\$ 8,689,890</u>	 <u>\$ 1,027,871</u>
<b>General Fund</b>			

The County's general fund balance increased \$555,928.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 6,134,088	\$ 5,902,771	3.92 %
Charges for services	1,249,972	1,646,549	(24.09) %
Licenses and permits	5,330	96,378	(94.47) %
Fines and forfeitures	109,899	109,413	0.44 %
Intergovernmental	1,231,406	1,198,306	2.76 %
Investment income	237,020	269,984	(12.21) %
Other	<u>92,318</u>	<u>132,270</u>	(30.20) %
 Total	 <u>\$ 9,060,033</u>	 <u>\$ 9,355,671</u>	 (3.16) %

Tax revenue represents 67.70% of all general fund revenue. Tax revenue increased slightly by 3.92% over prior year. The decrease in investment income is due to decreasing balances available to invest. All other revenue remained comparable to 2009.

**HOLMES COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table that follows assists in illustrating the expenditures of the general fund.

<u>Expenditures</u>	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
General government			
Legislative and executive	\$ 2,849,833	\$ 3,369,740	(15.43) %
Judicial	1,596,406	1,567,151	1.87 %
Public safety	2,927,844	3,021,696	(3.11) %
Public works	-	2,814	(100.00) %
Health	80,793	77,624	4.08 %
Human services	323,232	363,060	(10.97) %
Conservation and recreation	207,858	213,250	(2.53) %
Capital outlay	8,109	-	100.00 %
Debt service	1,425	-	100.00 %
Total	<u>\$ 7,995,500</u>	<u>\$ 8,615,335</u>	(7.19) %

Total expenditures decreased \$619,835 or 7.19%. All expenditures remained comparable to 2009.

***County Board of DD***

The county board of developmentally disabled (DD) fund, a major governmental fund, had revenues of \$5,323,744 in 2010, a decrease of \$121,650 or 2.23% from 2009 revenues. The DD fund, had expenditures and other financing uses of \$5,336,918 in 2010, a decrease of \$83,359 or 1.54% from 2009. The net changes in revenues and expenditures contributed to the DD fund balance decrease of \$13,174 or 0.84% from 2009 to 2010.

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

The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$5,390,975 in 2010, a decrease of \$1,775,927 or 24.78% from 2009 revenues. The motor vehicle license and gas tax fund, had expenditures of \$5,225,238 in 2010, a decrease of \$2,264,168 or 30.23% from 2009. The motor vehicle license and gas tax fund balance increased of \$165,737 or 12.52% from 2009 to 2010.

***Budgeting Highlights - General Fund***

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

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

In the general fund, final budgeted revenues and other financing sources of \$8,801,781 were \$133,029 higher than original budgeted revenues and other financing sources of \$8,668,752. Actual revenues and other financing sources of \$9,026,862 were higher than final budgeted revenues by \$225,081 or 2.56%.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (SEE ACCOUNTANT'S COMPILATION REPORT)

Final budgeted expenditures and other financing uses of \$9,122,459 were \$132,821 higher than original budgeted expenditures and other financing uses of \$8,989,638. Actual expenditures and financing uses of \$8,469,717 were \$652,742 lower than final budgeted expenditures and financing uses.

#### *Proprietary Funds*

The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

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

#### *Capital Assets*

At the end of 2010, the County had \$48,438,938 (net of accumulated depreciation) invested in land, buildings and improvements, furniture, fixtures and equipment, vehicles, construction in progress, sewer mains and infrastructure. Of this total, \$26,844,282 was reported in governmental activities and \$21,594,656 was reported in business-type activities. The following table shows fiscal year 2010 balances compared to 2009:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 843,613	\$ 843,613	\$ 1,068,963	\$ 1,068,963	\$ 1,912,576	\$ 1,912,576
Land improvements	50,507	22,406	370,861	211,210	421,368	233,616
Building and improvements	9,869,523	10,358,845	11,296,633	11,921,703	21,166,156	22,280,548
Furniture, fixtures and equipment	726,526	804,916	2,792,249	3,252,768	3,518,775	4,057,684
Vehicles	1,190,838	1,299,207	-	-	1,190,838	1,299,207
Infrastructure	14,121,211	11,250,685	-	-	14,121,211	11,250,685
Sewer/water lines	-	-	2,601,647	2,389,479	2,601,647	2,389,479
Construction in progress	42,064	1,718,076	3,464,303	370,798	3,506,367	2,088,874
<b>Total</b>	<u>\$ 26,844,282</u>	<u>\$ 26,297,748</u>	<u>\$ 21,594,656</u>	<u>\$ 19,214,921</u>	<u>\$ 48,438,938</u>	<u>\$ 45,512,669</u>

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

The County's largest 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 52.60% of the County's total governmental capital assets.

The County's third largest business-type capital asset category is sewer/water lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's sewer and water lines (cost less accumulated depreciation) represents approximately 12.05% of the County's total business-type capital assets.

## HOLMES COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### *Debt Administration*

At December 31, 2010 the County had \$3,105,000 in general obligation bonds, \$497,362 in capital lease obligations, \$2,366,500 in revenue bonds, \$1,844,746 in USDA loans, \$1,125,000 in notes payable and OPWC loans of \$844,985 outstanding. Of this total, \$653,382 is due within one year and \$9,130,211 is due in more than one year.

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

	<b>Outstanding Debt, at Year End</b>			
	Governmental Activities 2010	Business-Type Activities 2010	Governmental Activities 2009	Business-Type Activities 2009
Long-Term Obligations				
General obligation bonds	\$ 3,105,000	\$ -	\$ 3,459,000	\$ -
Capital lease obligation	7,160	490,202	-	-
Revenue bonds	-	2,366,500	-	2,411,500
USDA loan	-	1,844,746	-	-
Notes payable	-	1,125,000	-	-
OPWC loans	-	844,985	-	217,287
Total	<u>\$ 3,112,160</u>	<u>\$ 6,671,433</u>	<u>\$ 3,459,000</u>	<u>\$ 2,628,787</u>

The County's voted legal debt margin was \$17,305,750 at December 31, 2010 and the unvoted legal debt margin was \$7,363,677 at December 31, 2010. See Note 12 to the basic financial statements for detail on governmental activities and business-type activities long-term obligations.

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

The County's current population as of the 2010 census is 42,366.

The County's unemployment rate is currently 7.4%, compared to the 10.1% State average and the 9.6% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2011. Budgeted revenues and other financing sources in the general fund for fiscal year 2011 budget were \$8,432,635. 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.

**BASIC  
FINANCIAL STATEMENTS**



HOLMES COUNTY, OHIO

STATEMENT OF NET ASSETS  
 DECEMBER 31, 2010  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 8,981,946	\$ 1,695,124	\$ 10,677,070
Cash and cash equivalents in segregated accounts .	14,179	1,438,137	1,452,316
Investments in segregated accounts . . . . .	-	702,785	702,785
Receivables (net of allowance for uncollectibles):			
Sales taxes. . . . .	841,364	-	841,364
Real estate and other taxes . . . . .	6,134,955	-	6,134,955
Accounts. . . . .	205,529	4,357,164	4,562,693
Accrued interest . . . . .	274	-	274
Due from other governments. . . . .	3,070,055	-	3,070,055
Notes and loans. . . . .	-	24,111	24,111
Due from primary government . . . . .	-	-	-
Internal balances . . . . .	58,552	(58,552)	-
Prepayments . . . . .	111,332	281,239	392,571
Materials and supplies inventory. . . . .	854,423	549,275	1,403,698
Assets limited as to use. . . . .	-	6,019,720	6,019,720
Capital assets:			
Land and construction in progress. . . . .	885,677	4,533,266	5,418,943
Depreciable capital assets, net. . . . .	25,958,605	17,061,390	43,019,995
Total capital assets, net . . . . .	26,844,282	21,594,656	48,438,938
Total assets . . . . .	47,116,891	36,603,659	83,720,550
<b>Liabilities:</b>			
Accounts payable. . . . .	758,828	523,641	1,282,469
Contracts payable. . . . .	-	1,521,689	1,521,689
Retainage payable . . . . .	-	-	-
Accrued wages and benefits . . . . .	543,568	1,206,947	1,750,515
Due to other governments . . . . .	332,821	3,627	336,448
Other accrued expenses . . . . .	-	51,794	51,794
Due to component units . . . . .	92	-	92
Accrued interest payable . . . . .	13,877	84,667	98,544
Unearned revenue . . . . .	5,842,300	-	5,842,300
Long-term liabilities:			
Due within one year . . . . .	1,067,230	293,406	1,360,636
Due in more than one year. . . . .	3,120,768	11,341,173	14,461,941
Total liabilities . . . . .	11,679,484	15,026,944	26,706,428
<b>Net assets:</b>			
Invested in capital assets, net of related debt . .	23,732,122	14,923,223	38,655,345
Restricted for:			
Capital projects . . . . .	495,886	-	495,886
Debt service . . . . .	176,752	-	176,752
Public works projects. . . . .	3,135,392	-	3,135,392
Public safety programs . . . . .	810,727	-	810,727
Human services programs . . . . .	4,129,667	-	4,129,667
General operations . . . . .	903,946	-	903,946
Other purposes. . . . .	84,922	731,290	816,212
Unrestricted . . . . .	1,967,993	5,922,202	7,890,195
Total net assets . . . . .	\$ 35,437,407	\$ 21,576,715	\$ 57,014,122

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Component Units**

<b>Lynn Hope Industries, Incorporated</b>	<b>Holmes County Airport Authority</b>	<b>Regional Planning Commission</b>
\$ -	\$ -	\$ 32,397
131,294	772,699	7,161
-	-	-
-	-	-
-	-	-
15,083	649	8,708
-	-	-
-	-	-
-	-	-
-	-	92
-	-	-
451	2,126	-
-	-	-
-	-	-
-	754,314	-
9,969	348,954	-
9,969	1,103,268	-
156,797	1,878,742	48,358
1,705	1,500	518
-	338,370	-
-	13,858	-
-	-	5,226
388	-	2,093
-	-	-
-	-	-
-	-	-
-	-	-
14,231	-	5,383
113,396	-	7,438
129,720	353,728	20,658
9,969	1,103,268	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
17,108	421,746	27,700
<u>\$ 27,077</u>	<u>\$ 1,525,014</u>	<u>\$ 27,700</u>

HOLMES COUNTY, OHIO

STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 4,366,185	\$ 2,361,161	\$ 47,452	\$ 168,847
Judicial . . . . .	1,728,000	450,576	94,131	-
Public safety . . . . .	3,564,619	277,062	492,373	-
Public works . . . . .	4,215,355	351,541	3,578,575	1,660,788
Health . . . . .	246,731	172,643	-	-
Human services . . . . .	12,484,673	1,287,185	6,480,298	15,918
Conservation and recreation . . . . .	207,858			
Interest and fiscal charges. . . . .	183,745	143,644	-	-
Total governmental activities . . . . .	<u>26,997,166</u>	<u>5,043,812</u>	<u>10,692,829</u>	<u>1,845,553</u>
<b>Business-type activities:</b>				
Sewer District . . . . .	1,165,422	1,262,016	-	325,000
County Disposal. . . . .	28,288	-	-	-
Joel Pomerene Hospital . . . . .	32,711,332	31,170,725	-	-
Total business-type activities . . . . .	<u>33,905,042</u>	<u>32,432,741</u>	<u>-</u>	<u>325,000</u>
Total primary government . . . . .	<u>\$ 60,902,208</u>	<u>\$ 37,476,553</u>	<u>\$ 10,692,829</u>	<u>\$ 2,170,553</u>
<b>Component units:</b>				
Lynn Hope Industries, Inc. . . . .	\$ 409,289	\$ 90,299	\$ 328,055	\$ -
Holmes County Airport Authority . . . . .	146,152	87,219	-	665,093
Regional Planning Commission . . . . .	166,702	87,548	109,000	-
Total component units . . . . .	<u>\$ 722,143</u>	<u>\$ 265,066</u>	<u>\$ 437,055</u>	<u>\$ 665,093</u>
<b>General revenues:</b>				
Property taxes levied for:				
General fund. . . . .				
Human services - County Board of DD . . . . .				
Human services - County Home . . . . .				
Sales taxes . . . . .				
Grants and entitlements not restricted to specific programs . . . . .				
Investment earnings . . . . .				
Miscellaneous . . . . .				
Total general revenues . . . . .				
Change in net assets . . . . .				
<b>Net assets (deficit) at beginning of year. . . . .</b>				
<b>Net assets at end of year . . . . .</b>				

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Net (Expense) Revenue and Changes in Net Assets</b>					
<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>
\$ (1,788,725)	\$ -	\$ (1,788,725)	\$ -	\$ -	\$ -
(1,183,293)	-	(1,183,293)	-	-	-
(2,795,184)	-	(2,795,184)	-	-	-
1,375,549	-	1,375,549	-	-	-
(74,088)	-	(74,088)	-	-	-
(4,701,272)	-	(4,701,272)	-	-	-
(207,858)	-	(207,858)	-	-	-
(40,101)	-	(40,101)	-	-	-
<u>(9,414,972)</u>	<u>-</u>	<u>(9,414,972)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	421,594	421,594	-	-	-
-	(28,288)	(28,288)	-	-	-
-	(1,540,607)	(1,540,607)	-	-	-
<u>-</u>	<u>(1,147,301)</u>	<u>(1,147,301)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(9,414,972)</u>	<u>(1,147,301)</u>	<u>(10,562,273)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	9,065	-	-
-	-	-	-	606,160	-
-	-	-	-	-	29,846
<u>-</u>	<u>-</u>	<u>-</u>	<u>9,065</u>	<u>606,160</u>	<u>29,846</u>
2,182,845	-	2,182,845	-	-	-
2,622,951	-	2,622,951	-	-	-
830,340	-	830,340	-	-	-
4,555,354	-	4,555,354	-	-	-
1,088,168	-	1,088,168	-	-	-
237,029	62,474	299,503	1,874	4,770	-
86,251	861,244	947,495	-	157	8,658
<u>11,602,938</u>	<u>923,718</u>	<u>12,526,656</u>	<u>1,874</u>	<u>4,927</u>	<u>8,658</u>
2,187,966	(223,583)	1,964,383	10,939	611,087	38,504
<u>33,249,441</u>	<u>21,800,298</u>	<u>55,049,739</u>	<u>16,138</u>	<u>913,927</u>	<u>(10,804)</u>
<u>\$ 35,437,407</u>	<u>\$ 21,576,715</u>	<u>\$ 57,014,122</u>	<u>\$ 27,077</u>	<u>\$ 1,525,014</u>	<u>\$ 27,700</u>

**HOLMES COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010

(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>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 1,230,120	\$ 1,698,837	\$ 747,784	\$ 5,305,205
Cash and cash equivalents in segregated accounts.	-	-	-	14,179
Receivables (net of allowance for uncollectibles):				
Sales taxes . . . . .	759,362	-	-	82,002
Real estate and other taxes . . . . .	2,576,033	2,708,725	-	850,197
Accounts. . . . .	69,781	21,786	18,886	95,076
Accrued interest . . . . .	274	-	-	-
Loans to other funds. . . . .	55,000	-	-	-
Due from other funds . . . . .	58,552	-	-	-
Due from other governments. . . . .	423,703	253,082	2,079,327	313,943
Prepayments . . . . .	79,269	6,269	537	25,257
Materials and supplies inventory. . . . .	66,942	12,609	749,425	25,447
Total assets . . . . .	<u>\$ 5,319,036</u>	<u>\$ 4,701,308</u>	<u>\$ 3,595,959</u>	<u>\$ 6,711,306</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 123,414	\$ 41,558	\$ 250,288	\$ 343,568
Accrued wages and benefits . . . . .	190,211	131,606	67,031	154,720
Compensated absences payable . . . . .	-	22,619	5,208	-
Loans from other funds. . . . .	-	-	-	55,000
Due to other governments . . . . .	81,768	56,733	27,074	167,246
Due to component units . . . . .	-	-	-	92
Deferred revenue . . . . .	820,257	348,191	1,756,365	124,599
Unearned revenue . . . . .	2,490,000	2,540,300	-	812,000
Total liabilities . . . . .	<u>3,705,650</u>	<u>3,141,007</u>	<u>2,105,966</u>	<u>1,657,225</u>
<b>Fund balances:</b>				
Reserved for encumbrances . . . . .	5,788	-	-	24,066
Reserved for prepayments . . . . .	79,269	6,269	537	25,257
Reserved for materials and supplies inventory .	66,942	12,609	749,425	25,447
Reserved for loans. . . . .	55,000	-	-	-
Reserved for debt service. . . . .	-	-	-	155,629
Unreserved:				
Designated for compensated absences reported in special revenue funds . . . . .	-	-	-	149,637
Undesignated, reported in:				
General fund. . . . .	1,406,387	-	-	-
Special revenue funds . . . . .	-	1,541,423	740,031	4,186,810
Capital projects funds . . . . .	-	-	-	487,235
Total fund balances. . . . .	<u>1,613,386</u>	<u>1,560,301</u>	<u>1,489,993</u>	<u>5,054,081</u>
Total liabilities and fund balances . . . . .	<u>\$ 5,319,036</u>	<u>\$ 4,701,308</u>	<u>\$ 3,595,959</u>	<u>\$ 6,711,306</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Total  
Governmental  
Funds**

\$ 8,981,946  
14,179  
841,364  
6,134,955  
205,529  
274  
55,000  
58,552  
3,070,055  
111,332  
854,423

---

\$ 20,327,609

\$ 758,828  
543,568  
27,827  
55,000  
332,821  
92  
3,049,412  
5,842,300

---

10,609,848

29,854  
111,332  
854,423  
55,000  
155,629

149,637

1,406,387  
6,468,264  
487,235

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9,717,761

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\$ 20,327,609

HOLMES COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

<b>Total governmental fund balances</b>		\$	9,717,761
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			26,844,282
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	292,655	
Sales taxes receivable		407,746	
Intergovernmental receivable		2,338,143	
Accounts receivable		10,859	
Accrued interest receivable		9	
Total		<u>          </u>	3,049,412
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		3,105,000	
Capital lease payable		7,160	
Compensated absences payable		1,048,011	
Accrued interest payable		13,877	
Total		<u>          </u>	<u>(4,174,048)</u>
<b>Net assets of governmental activities</b>		\$	<u>35,437,407</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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HOLMES COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	General	County Board of DD	Motor Vehicle License and Gas Tax	Other Governmental Funds
<b>Revenues:</b>				
Real and other taxes. . . . .	\$ 2,162,910	\$ 2,590,444	\$ -	\$ 822,344
Sales taxes. . . . .	3,971,178	-	-	492,001
Charges for services. . . . .	1,249,972	270,896	153,428	2,210,115
Licenses and permits . . . . .	5,330	-	-	211,824
Fines and forfeitures . . . . .	109,899	-	24,414	146,680
Intergovernmental. . . . .	1,231,406	2,271,263	5,034,983	4,801,345
Investment income. . . . .	237,020	1,104	6,697	9,431
Rental income . . . . .	5,211	-	-	175,780
Contributions and donations. . . . .	-	21,984	84,616	25,600
Other . . . . .	87,107	168,053	34,946	259,688
Total revenues . . . . .	<u>9,060,033</u>	<u>5,323,744</u>	<u>5,339,084</u>	<u>9,154,808</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	2,849,833	-	-	1,467,268
Judicial. . . . .	1,596,406	-	-	153,723
Public safety . . . . .	2,927,844	-	-	473,199
Public works . . . . .	-	-	5,225,238	109,620
Health . . . . .	80,793	-	-	158,080
Human services. . . . .	323,232	5,306,918	-	6,373,497
Conservation and recreation . . . . .	207,858	-	-	-
Capital outlay . . . . .	8,109	-	-	126,900
Debt service:				
Principal retirement. . . . .	949	-	-	354,000
Interest and fiscal charges . . . . .	476	-	-	184,791
Total expenditures . . . . .	<u>7,995,500</u>	<u>5,306,918</u>	<u>5,225,238</u>	<u>9,401,078</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>1,064,533</u>	<u>16,826</u>	<u>113,846</u>	<u>(246,270)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	15,166	-	51,891	3,770
Capital lease transaction. . . . .	8,109	-	-	-
Transfers in . . . . .	-	-	-	561,880
Transfers out. . . . .	(531,880)	(30,000)	-	-
Total other financing sources (uses) . . . . .	<u>(508,605)</u>	<u>(30,000)</u>	<u>51,891</u>	<u>565,650</u>
Net change in fund balances . . . . .	555,928	(13,174)	165,737	319,380
<b>Fund balances at beginning of year . . . . .</b>	<u>1,057,458</u>	<u>1,573,475</u>	<u>1,324,256</u>	<u>4,734,701</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,613,386</u>	<u>\$ 1,560,301</u>	<u>\$ 1,489,993</u>	<u>\$ 5,054,081</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Total  
Governmental  
Funds**

\$ 5,575,698  
4,463,179  
3,884,411  
217,154  
280,993  
13,338,997  
254,252  
180,991  
132,200  
549,794  

---

28,877,669

4,317,101  
1,750,129  
3,401,043  
5,334,858  
238,873  
12,003,647  
207,858  
135,009

354,949  
185,267  

---

27,928,734

---

948,935

70,827  
8,109  
561,880  

---

(561,880)  

---

78,936

1,027,871

8,689,890  

---

\$ 9,717,761

**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, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

<b>Net change in fund balances - total governmental funds</b>	\$	1,027,871
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>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 outlay exceeded depreciation expense in the current period.</p>		
Capital asset additions	\$ 2,634,064	
Current year depreciation	(1,981,491)	
Total		652,573
<p>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.</p>		
		(106,039)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Real and other taxes	60,438	
Sales taxes	92,175	
Intergovernmental revenues	133,206	
Interest revenues	9	
Charges for services	6,573	
Other	(856)	
Total		291,545
<p>Capital lease transactions are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.</p>		
		(8,109)
<p>Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		354,949
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		1,522
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		(26,346)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>2,187,966</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, 2010  
 (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. . . . .	\$ 2,132,000	\$ 2,132,000	\$ 2,166,190	\$ 34,190
Sales taxes. . . . .	3,772,000	3,772,000	3,920,261	148,261
Charges for services. . . . .	1,119,900	1,247,035	1,263,006	15,971
Licenses and permits . . . . .	5,550	5,550	5,330	(220)
Fines and forfeitures . . . . .	112,500	112,500	103,242	(9,258)
Intergovernmental. . . . .	1,174,217	1,174,217	1,230,368	56,151
Investment income. . . . .	270,000	270,000	236,635	(33,365)
Rental income . . . . .	11,585	11,585	5,096	(6,489)
Other . . . . .	70,000	70,314	81,568	11,254
Total revenues . . . . .	<u>8,667,752</u>	<u>8,795,201</u>	<u>9,011,696</u>	<u>216,495</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	4,049,498	3,998,868	3,820,901	177,967
Judicial . . . . .	1,350,144	1,427,345	1,279,798	147,547
Public safety. . . . .	2,334,006	2,362,807	2,264,289	98,518
Health . . . . .	77,800	80,793	80,793	-
Human services . . . . .	411,008	411,008	284,198	126,810
Conservation and recreation. . . . .	209,758	209,758	207,858	1,900
Total expenditures . . . . .	<u>8,432,214</u>	<u>8,490,579</u>	<u>7,937,837</u>	<u>552,742</u>
Excess of revenues over expenditures. . . . .	<u>235,538</u>	<u>304,622</u>	<u>1,073,859</u>	<u>769,237</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	1,000	6,580	15,166	8,586
Transfers out. . . . .	(557,424)	(631,880)	(531,880)	100,000
Total other financing sources (uses) . . . . .	<u>(556,424)</u>	<u>(625,300)</u>	<u>(516,714)</u>	<u>108,586</u>
Net change in fund balances . . . . .	(320,886)	(320,678)	557,145	877,823
<b>Fund balances at beginning of year . . . . .</b>	645,065	645,065	645,065	-
<b>Prior year encumbrances appropriated . . . . .</b>	29,121	29,121	29,121	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 353,300</u>	<u>\$ 353,508</u>	<u>\$ 1,231,331</u>	<u>\$ 877,823</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, 2010  
 (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. . . . .	\$ 2,516,700	\$ 2,516,700	\$ 2,597,364	\$ 80,664
Charges for services. . . . .	323,626	323,626	317,370	(6,256)
Intergovernmental. . . . .	2,346,400	2,352,467	2,279,343	(73,124)
Investment income. . . . .	2,300	2,300	1,104	(1,196)
Contributions and donations. . . . .	21,000	21,000	21,959	959
Other . . . . .	208,115	236,263	167,933	(68,330)
Total revenues . . . . .	<u>5,418,141</u>	<u>5,452,356</u>	<u>5,385,073</u>	<u>(67,283)</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	5,871,180	5,865,292	5,282,925	582,367
Total expenditures . . . . .	<u>5,871,180</u>	<u>5,865,292</u>	<u>5,282,925</u>	<u>582,367</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(453,039)</u>	<u>(412,936)</u>	<u>102,148</u>	<u>515,084</u>
<b>Other financing uses:</b>				
Transfers out. . . . .	(100,000)	(100,000)	(30,000)	70,000
Total other financing uses . . . . .	<u>(100,000)</u>	<u>(100,000)</u>	<u>(30,000)</u>	<u>70,000</u>
Net change in fund balances . . . . .	(553,039)	(512,936)	72,148	585,084
<b>Fund balances at beginning of year . . . . .</b>	<u>1,541,411</u>	<u>1,541,411</u>	<u>1,541,411</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 988,372</u>	<u>\$ 1,028,475</u>	<u>\$ 1,613,559</u>	<u>\$ 585,084</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, 2010  
 (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>				
Charges for services. . . . .	\$ 58,223	\$ 58,223	\$ 144,575	\$ 86,352
Fines and forfeitures . . . . .	38,000	38,000	23,807	(14,193)
Intergovernmental. . . . .	4,085,000	5,159,876	5,696,020	536,144
Investment income. . . . .	22,000	22,000	6,697	(15,303)
Contributions and donations. . . . .	85,000	85,000	84,616	(384)
Other . . . . .	65,000	65,000	28,474	(36,526)
Total revenues . . . . .	<u>4,353,223</u>	<u>5,428,099</u>	<u>5,984,189</u>	<u>556,090</u>
<b>Expenditures:</b>				
Current:				
Public works. . . . .	<u>5,221,000</u>	<u>6,295,876</u>	<u>6,155,073</u>	<u>140,803</u>
Total expenditures . . . . .	<u>5,221,000</u>	<u>6,295,876</u>	<u>6,155,073</u>	<u>140,803</u>
Excess of expenditures over revenues. . . . .	<u>(867,777)</u>	<u>(867,777)</u>	<u>(170,884)</u>	<u>696,893</u>
<b>Other financing sources:</b>				
Sale of capital assets. . . . .	<u>1,000</u>	<u>1,000</u>	<u>51,891</u>	<u>50,891</u>
Total other financing sources . . . . .	<u>1,000</u>	<u>1,000</u>	<u>51,891</u>	<u>50,891</u>
Net change in fund balances . . . . .	(866,777)	(866,777)	(118,993)	747,784
<b>Fund balances at beginning of year . . . . .</b>	<u>866,777</u>	<u>866,777</u>	<u>866,777</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 747,784</u>	<u>\$ 747,784</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

STATEMENT OF NET ASSETS  
 ENTERPRISE FUNDS  
 DECEMBER 31, 2010  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-type Activities - Enterprise Funds			
	Sewer District	County Disposal	Joel Pomerene Memorial Hospital	Nonmajor Enterprise Fund
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,695,123	\$ -	\$ -	\$ 1
Cash and cash equivalents in segregated accounts . . . . .	-	-	1,438,137	-
Investments in segregated accounts . . . . .	-	-	702,785	-
Receivables (net of allowance for uncollectibles):				
Accounts . . . . .	258,234	-	4,098,930	-
Notes and loans . . . . .	24,111	-	-	-
Loans to other funds . . . . .	8,000	-	-	-
Materials and supplies inventory . . . . .	207	7,771	541,297	-
Prepayments . . . . .	-	-	281,239	-
Total current assets . . . . .	<u>1,985,675</u>	<u>7,771</u>	<u>7,062,388</u>	<u>1</u>
Noncurrent assets:				
Assets limited as to use, net of current portion . . . . .	-	-	6,019,720	-
Capital assets:				
Land and construction in progress . . . . .	3,562,806	368,540	601,920	-
Depreciable capital assets, net . . . . .	4,478,569	-	12,582,821	-
Total capital assets, net . . . . .	<u>8,041,375</u>	<u>368,540</u>	<u>13,184,741</u>	<u>-</u>
Total noncurrent assets . . . . .	<u>8,041,375</u>	<u>368,540</u>	<u>19,204,461</u>	<u>-</u>
Total assets . . . . .	<u>10,027,050</u>	<u>376,311</u>	<u>26,266,849</u>	<u>1</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable . . . . .	45,156	-	478,485	-
Contracts payable . . . . .	1,521,689	-	-	-
Accrued wages and benefits . . . . .	5,467	-	1,201,480	-
Other accrued expenses . . . . .	-	-	51,794	-
Due to other governments . . . . .	3,627	-	-	-
Due to other funds . . . . .	-	58,552	-	-
Loans from other funds . . . . .	-	-	-	8,000
Accrued interest payable . . . . .	84,667	-	-	-
Current portion of compensated absences payable . . . . .	14,401	-	-	-
Current portion of notes payable . . . . .	-	-	50,000	-
Current portion of revenue bonds payable . . . . .	46,000	-	-	-
Current portion of OPWC loan payable . . . . .	31,842	-	-	-
Current portion of capital lease obligation . . . . .	-	-	151,163	-
Total current liabilities . . . . .	<u>1,752,849</u>	<u>58,552</u>	<u>1,932,922</u>	<u>8,000</u>
Long-term liabilities:				
Compensated absences payable . . . . .	4,984	-	-	-
Notes payable . . . . .	-	-	1,075,000	-
Capital lease obligation . . . . .	-	-	339,039	-
Revenue bonds payable . . . . .	2,320,500	-	-	-
Landfill closure and postclosure care liability . . . . .	-	4,943,761	-	-
USDA loan payable . . . . .	1,844,746	-	-	-
OPWC loans payable . . . . .	813,143	-	-	-
Total long-term liabilities . . . . .	<u>4,983,373</u>	<u>4,943,761</u>	<u>1,414,039</u>	<u>-</u>
Total liabilities . . . . .	<u>6,736,222</u>	<u>5,002,313</u>	<u>3,346,961</u>	<u>8,000</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt . . . . .	2,985,144	368,540	11,569,539	-
Restricted for:				
Donor specific uses . . . . .	-	-	731,290	-
Unrestricted (deficit) . . . . .	305,684	(4,994,542)	10,619,059	(7,999)
Total net assets (deficit) . . . . .	<u>\$ 3,290,828</u>	<u>\$ (4,626,002)</u>	<u>\$ 22,919,888</u>	<u>\$ (7,999)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Total**

\$ 1,695,124  
1,438,137  
702,785

4,357,164  
24,111  
8,000

549,275  
281,239

9,055,835

6,019,720

4,533,266  
17,061,390

21,594,656

27,614,376

36,670,211

523,641  
1,521,689  
1,206,947  
51,794

3,627  
58,552  
8,000

84,667  
14,401  
50,000

46,000  
31,842  
151,163

3,752,323

4,984  
1,075,000  
339,039

2,320,500  
4,943,761  
1,844,746

813,143  
11,341,173

15,093,496

14,923,223

731,290  
5,922,202

21,576,715



HOLMES COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer District</b>	<b>County Disposal</b>	<b>Joel Pomerene Memorial Hospital</b>	<b>Nonmajor Enterprise Fund</b>
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 1,262,016	\$ -	\$ 31,170,725	\$ -
Other . . . . .	1,052	-	860,192	-
Total operating revenues. . . . .	<u>1,263,068</u>	<u>-</u>	<u>32,030,917</u>	<u>-</u>
<b>Operating expenses:</b>				
Personal services . . . . .	172,435	2,457	15,446,427	-
Contract services. . . . .	617,180	17,331	-	-
Materials and supplies. . . . .	36,171	-	8,343,295	-
Depreciation. . . . .	219,736	-	1,493,526	-
Provision for bad debts . . . . .	-	-	2,158,099	-
Medical professional fees . . . . .	-	-	5,261,701	-
Landfill closure and post-closure costs . . . . .	-	8,500	-	-
Other . . . . .	826	-	8,284	-
Total operating expenses. . . . .	<u>1,046,348</u>	<u>28,288</u>	<u>32,711,332</u>	<u>-</u>
Operating income (loss) . . . . .	<u>216,720</u>	<u>(28,288)</u>	<u>(680,415)</u>	<u>-</u>
<b>Nonoperating revenues (expenses):</b>				
Interest revenue . . . . .	1,681	-	60,793	-
Interest and fiscal charges . . . . .	(119,074)	-	-	-
Total nonoperating revenues (expenses). . . . .	<u>(117,393)</u>	<u>-</u>	<u>60,793</u>	<u>-</u>
Net income (loss) before capital contributions. . . . .	99,327	(28,288)	(619,622)	-
Capital contributions. . . . .	<u>325,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets . . . . .	424,327	(28,288)	(619,622)	-
<b>Net assets (deficit) at beginning of year. . . . .</b>	<u>2,866,501</u>	<u>(4,597,714)</u>	<u>23,539,510</u>	<u>(7,999)</u>
<b>Net assets (deficit) at end of year . . . . .</b>	<u>\$ 3,290,828</u>	<u>\$ (4,626,002)</u>	<u>\$ 22,919,888</u>	<u>\$ (7,999)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

	<b>Total</b>
\$	32,432,741
	861,244
	33,293,985
	15,621,319
	634,511
	8,379,466
	1,713,262
	2,158,099
	5,261,701
	8,500
	9,110
	33,785,968
	(491,983)
	62,474
	(119,074)
	(56,600)
	(548,583)
	325,000
	(223,583)
	21,800,298
\$	21,576,715

HOLMES COUNTY, OHIO

STATEMENT OF CASH FLOWS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer District</b>	<b>County Disposal</b>	<b>Joel Pomerene Memorial Hospital</b>	<b>Nonmajor Enterprise Fund</b>
<b>Cash flows from operating activities:</b>				
Cash received from sales/service charges . . . . .	\$ 1,082,188	\$ -	\$ 29,162,125	\$ -
Cash received from other operating revenue . . . . .	1,052	-	873,164	-
Cash payments for personal services . . . . .	(169,785)	(2,500)	(15,435,317)	-
Cash payments for contract services . . . . .	(604,306)	(34,401)	(13,524,808)	-
Cash payments for materials and supplies . . . . .	(31,714)	-	-	-
Cash payments for other expenses . . . . .	(826)	-	-	-
Net cash provided by (used in) operating activities . .	<u>276,609</u>	<u>(36,901)</u>	<u>1,075,164</u>	<u>-</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from other funds . . . . .	-	58,552	-	-
Cash payments to other funds . . . . .	-	(21,651)	-	-
Net cash provided by noncapital financing activities .	<u>-</u>	<u>36,901</u>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets . . . . .	(1,908,066)	-	(394,743)	-
Cash received from grants . . . . .	325,000	-	-	-
Cash received from USDA and OPWC loans . . . . .	2,487,620	-	-	-
Principal payments on capital lease obligations . . . .	-	-	(133,673)	-
Principal payments on bonds, notes and loans . . . .	(60,176)	-	(50,000)	-
Interest payments on bonds, notes and loans . . . . .	(120,574)	-	(23,070)	-
Net cash provided by (used in) capital and related financing activities . . . . .	<u>723,804</u>	<u>-</u>	<u>(601,486)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Cash received from interest . . . . .	1,681	-	83,863	-
Change in investments and assets whose use is limited .	-	-	(21,816)	-
Repayment from notes receivable . . . . .	5,188	-	-	-
Net cash provided by investing activities . . . . .	<u>6,869</u>	<u>-</u>	<u>62,047</u>	<u>-</u>
Net increase in cash and cash equivalents . . . . .	1,007,282	-	535,725	-
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>687,841</b>	<b>-</b>	<b>6,995,767</b>	<b>1</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 1,695,123</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,531,492</u></b>	<b><u>\$ 1</u></b>
Cash and cash equivalents include the following:				
Cash and cash equivalents . . . . .	1,695,123	-	1,438,137	1
Investments in cash and cash equivalents . . . . .	-	-	384,582	-
Assets limited as to use cash and cash equivalents:				
Board designated for future capital improvements . .	-	-	5,649,251	-
Funds available for future construction and equipment .	-	-	59,522	-
<b>Total cash and cash equivalents . . . . .</b>	<b><u>\$ 1,695,123</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,531,492</u></b>	<b><u>\$ 1</u></b>

<u>Total</u>	
\$	30,244,313
	874,216
	(15,607,602)
	(14,163,515)
	(31,714)
	<u>(826)</u>
	1,314,872
	<u>58,552</u>
	<u>(21,651)</u>
	<u>36,901</u>
	(2,302,809)
	325,000
	2,487,620
	(133,673)
	(110,176)
	<u>(143,644)</u>
	<u>122,318</u>
	85,544
	(21,816)
	<u>5,188</u>
	<u>68,916</u>
	1,543,007
	7,683,609
\$	<u><u>9,226,616</u></u>

	3,133,261
	384,582
	-
	5,649,251
	59,522
\$	<u><u>9,226,616</u></u>

-- Continued

HOLMES COUNTY, OHIO

STATEMENT OF CASH FLOWS  
 ENTERPRISE FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer District</b>	<b>County Disposal</b>	<b>Joel Pomerene Memorial Hospital</b>	<b>Nonmajor Enterprise Fund</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss) . . . . .	\$ 216,720	\$ (28,288)	\$ (680,415)	\$ -
Adjustments:				
Depreciation. . . . .	219,736	-	1,493,526	-
Bad debt expense . . . . .	-	-	2,158,099	-
Loss from disposals . . . . .	-	-	850	-
Changes in assets and liabilities:				
(Increase) in accounts receivable. . . . .	(179,828)	-	(1,932,896)	-
(Increase) decrease in inventories . . . . .	(8)	-	43,382	-
(Increase) in third party settlements . . . . .	-	-	(63,582)	-
(Increase) decrease in prepayments. . . . .	-	(7,771)	310,609	-
Increase (decrease) in accounts payable . . . . .	16,016	(9,299)	(92,271)	-
Increase in accrued wages and benefits . . . . .	262	-	-	-
(Decrease) in other accrued expenses . . . . .	-	-	(162,138)	-
Increase in landfill closure and postclosure care liability. . . . .	-	8,500	-	-
Increase (decrease) in due to other governments . . . . .	560	(43)	-	-
Increase in compensated absences payable. . . . .	3,151	-	-	-
Net cash provided by (used in) operating activities . . . . .	<u>\$ 276,609</u>	<u>\$ (36,901)</u>	<u>\$ 1,075,164</u>	<u>\$ -</u>
<b>Non-cash transactions:</b>				
Capital assets acquired on account . . . . .	\$ 1,521,689	\$ -	\$ -	\$ -
Capital assets acquired under capital leases . . . . .	-	-	269,349	-

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Total**

---

\$ (491,983)

1,713,262

2,158,099

850

(2,112,724)

43,374

(63,582)

302,838

(85,554)

262

(162,138)

8,500

517

3,151

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\$ 1,314,872

**HOLMES COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 4,302,349
Cash and cash equivalents in segregated accounts . .	812,280
Receivables:	
Real estate and other taxes . . . . .	27,667,236
Accounts . . . . .	148,431
Accrued interest. . . . .	193
Due from other governments . . . . .	<u>1,827,791</u>
Total assets . . . . .	<u>\$ 34,758,280</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	\$ 88,570
Accrued wages and benefits . . . . .	9,639
Due to other governments . . . . .	836,030
Undistributed monies . . . . .	<u>33,824,041</u>
Total liabilities. . . . .	<u>\$ 34,758,280</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### NOTE 1 - DESCRIPTION OF THE COUNTY

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

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

The basic financial statements (BFS) of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided it does not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB guidance issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The County has elected not to apply this FASB guidance.

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

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

##### A. Reporting Entity

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

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

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



**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

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

*DISCRETELY PRESENTED COMPONENT UNITS*

*Holmes County Regional Planning Commission (Commission)*

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

*Holmes County Airport Authority (Airport Authority)*

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

*Lynn Hope Industries, Inc. (Workshop)*

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

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component units is identified in Notes 24, 25 and 26.

*POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS*

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

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

*JOINT VENTURES WITHOUT EQUITY INTEREST*

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

*Multi-County Juvenile Attention Center (Center)*

The Multi-County Juvenile Attention Center is a jointly governed organization among Holmes, Tuscarawas, Carroll, Wayne, Stark and Columbiana Counties formed for the purpose of providing facilities for the training, treatment, and rehabilitation of delinquent, dependent, abused or neglected children. The operation of the Center is controlled by a joint Board of Commissioners whose membership consists of the three commissioners from each participating county. The Board exercises total control over the operation of the Center including budgeting, appropriating, contracting and designating management. Budgets are adopted by the Governing Board of commissioners. Each County's degree of control is limited to its representation on the Board. In 2010, the County contributed \$291,268 to the Center.

*Stark Regional Community Corrections Center (SRCCC)*

The SRCCC is a community based corrections facility that provides residents of the facility with educational, vocational, substance abuse and support counseling services. The facility is administered by a Judicial Corrections Board consisting of eleven common pleas court judges. The members consist of one judge from Holmes County, two judges each from Wayne and Tuscarawas Counties, and six judges from Stark County. The Board adopts its own budget, authorizes expenditures and hires and fires its own staff. SRCCC did not receive any funding from the County during 2010.

*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.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

*Medway Drug Enforcement Agency (Agency)*

The Agency is an undercover investigative law enforcement agency, the objective of which is to remove illegal drugs from the community. The Agency is controlled by the Medway Council of Governments, consisting of two governing bodies: the General Assembly and the Governing Board. The County has two voting members on the General Assembly consisting of one County commissioner and one village or township representative chosen by a caucus of the villages and townships in the County. The County has three representatives on the Governing Board consisting of the County prosecutor, the County sheriff and one full-time village chief of police. The Wayne County Auditor and Treasurer, respectively serve as fiscal officer and custodian of funds for the Agency. For 2010, the County contributed \$43,835 to the Agency.

*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 2010, the County paid \$195 to MEORC for services provided.

*PUBLIC ENTITY RISK POOLS*

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

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

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

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County's payment for insurance to CORSA in 2010 was \$193,274.

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

##### *RELATED ORGANIZATIONS*

##### Holmes County Public Library (Library)

The Library provides services aimed at enriching the lives of the citizens of the County through an informed and connected community. The County appoints the governing board of the Library; however, the County cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden on the County. The County serves in a ministerial capacity as taxing authority for the Library. Once the Library Board determines to present a levy to the voters, including the determination of its rate and duration, the County must place the levy on the ballot. The Library determines its own budget. The Library did not receive any funding from the County in 2010.

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

The District provides conservation and recreation programs for the benefit of the County's citizens. The three Park District Commissioners are appointed by the Probate Judge of the County. The District hires and fires its own staff, and does not rely on the County to finance deficits. The County is not financially accountable for the District or is the District financially dependent on the County. The District serves as its own taxing and debt issuance authority. The District did not receive any funding from the County in 2010.

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

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

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

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

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

The following are the County's major governmental funds:

*General* - This is the primary operating fund of the County. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*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 to be used for the acquisition, construction, or improvement of capital facilities; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs and (c) grants and other resources, the use of which is restricted to a particular purpose.

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

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

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

*County disposal* - This fund accounts for the \$2.00/ton royalty fee and expenses associated with the landfill, including landfill inspector, ground water monitoring and other issues.

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

The County has one nonmajor enterprise fund that is used to account for water services provided to the East Holmes Industrial Park.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

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

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

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

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

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

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

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

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

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

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

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

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Sales taxes and accounts receivable not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2010, are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

**E. Budgetary Data**

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

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

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



**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the original and final amended certificates issued during 2010.

*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 2010 are included in the final budget amounts in the budget-to-actual comparisons.

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

**F. Cash and Investments**

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

During 2010, investments were limited to certificates of deposit, mutual funds, U.S. government obligations, common stock, corporate notes and equity securities. The investments in mutual funds and common stock are reported at fair value. The common stock is not traded on a quoted market; therefore, the year end fair value is determined as the average of the high and low sales price for the last quarter of 2010. For the money market mutual fund, fair value is determined by the fund's shares price at December 31, 2010. 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 2010 amounted to \$237,020 which includes \$219,301 assigned from other County funds.

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

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

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

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

**G. Patient Accounts Receivable and Revenue**

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

In 2010, approximately 26 percent of the Hospital's total patient revenue was derived from Medicare payments while approximately 14 percent was derived from Medicaid payments. Additionally, approximately 29 percent of the Hospital's total patient revenue was derived from individual self-payments in 2010. 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 fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

**I. Capital Assets**

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

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

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

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

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

Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset. For 2010, the net interest expense incurred on proprietary fund construction projects was not material.

**J. Compensated Absences**

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

**HOLMES COUNTY, OHIO**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2010, 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, 2010, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

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

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

**K. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

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

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

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

**HOLMES COUNTY, OHIO**

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

**M. Third-Party Settlements**

The Hospital has agreements with Medicare and Medicaid that provide for reimbursement at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payers. The Hospital has reached final settlement with Medicare through 2008 and Medicaid through 2004.

**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.

Activity between funds that is representative of lending/borrowing arrangements outstanding at year end are referred to as either "interfund receivable/interfund payable" for the current portion or "loans to/from other funds" for the non-current portion of the interfund loans. All other outstanding balances outstanding between funds are reported as "due to/from other funds". These amounts are eliminated in the statement of net assets, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "internal balances".

Loans between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

**P. Fund Balance Reserves and Designations**

Reserved or designated fund balances indicate that a portion of fund equity is not available for current appropriation or use. The unreserved or undesignated portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The County reports amounts representing encumbrances outstanding, prepayments, materials and supplies inventories, debt service and loans as reservations of fund balance in the governmental funds. The County reports amounts set-aside by the County Commissioners for possible contingencies related to future compensated absence liabilities as a designation of fund balance in a special revenue fund.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. Charity Care**

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

**R. Estimates**

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

**S. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County Commissioners and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the County has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the County.

**HOLMES COUNTY, OHIO**

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

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the County.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the County.

**B. Deficit Fund Balances/Net Assets**

	<u>Deficit</u>
<u>Major funds</u>	
County disposal	\$ 4,626,002
<u>Nonmajor funds</u>	
Child neglect and abuse	4,853
State victim assistance grants	2,380
Community corrections	16,947
Transportation coordination services	54,544
Community development	2,992
Jail kitchen	2,707
East Holmes water	7,999

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

**C. Deficit Cash Fund Balance**

The County had a negative cash fund balance in the County disposal fund indicating that revenue from other sources was used to pay obligations of the fund contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, the amount has been reported as a fund liability.

**D. Noncompliance**

- i.* The County had expenditures in excess of appropriations for the year ended December 31, 2010 in noncompliance with Ohio Revised Code 5705.41(B).
- ii.* The County had negative cash fund balances throughout the year and at year-end in noncompliance with Ohio Revised Code 5705.10.

**HOLMES COUNTY, OHIO**

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

- iii.* The County had appropriations in excess of estimated resources for the year ended December 31, 2010 in noncompliance with Ohio Revised Code 5705.39 in the public assistance fund.

**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 considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

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



**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

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

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

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 \$11,123 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 \$1,015,523 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, 2010, the carrying amount of all County deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$22,350,282. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$18,242,244 of the County's bank balance of \$21,832,639 was exposed to custodial risk as discussed below, while \$3,590,395 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, 2010  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Investments**

The County had the following investments and maturities. This table also shows the percentage of each investment type held by the County at December 31, 2010:

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	\$ 133,531	N/A-3	N/A-3	21.22%
N/A-1	N/A-1	N/A-1	Killbuck Savings Bank common stock	166,698	N/A-3	N/A-3	26.50%
N/A-1	N/A-1	N/A-1	Newell-Rubbermaid common stock	2,582	N/A-3	N/A-3	0.42%
N/A-2	N/A-2	N/A-2	U.S. Treasury bonds	8,136	8,136	-	1.29%
Aa2	AA+		GE Capital Corp notes	46,617	36,238	10,379	7.42%
		3 star rating	Federated mutual funds - equity	34,746	N/A-3	N/A-3	5.52%
		3 star rating	Fidelity mutual funds - equity	56,250	N/A-3	N/A-3	8.94%
		4 star rating	Perkins mutual funds - equity	8,131	N/A-3	N/A-3	1.29%
		3 star rating	T. Rowe Price small cap stock	88,357	N/A-3	N/A-3	14.04%
		3 star rating	Vanguard mutual funds - equity	59,102	N/A-3	N/A-3	9.39%
N/A-1	N/A-1	N/A-1	Ohio hospital association stock	25,000	N/A-3	N/A-3	3.97%
			Total	\$ 629,150	\$ 44,374	\$ 10,379	100.00%

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

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

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

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

*Credit Risk:* State law limits investments in commercial paper and corporate bonds to the top two ratings issued by the nationally recognized statistical rating organizations (NRSROs). It is the government's policy to limit its investments in these investment types to the top two ratings issued by NRSROs. The County had no investments on their books as of December 31, 2010. 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  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**F. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 22,350,282
Investments	629,150
Unrecorded cash	11,123
Cash on hand	<u>1,015,523</u>
Total	<u>\$ 24,006,078</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 8,996,125
Business-type activities	9,855,766
Component unit*	39,558
Agency	<u>5,114,629</u>
Total	<u>\$ 24,006,078</u>

\*Cash and cash equivalents of the Holmes County Regional Planning Commission are pooled and invested by the County (See Note 24 for detail). Cash and cash equivalents of Lynn Hope Industries, Inc. and the Holmes County Airport Authority are held separate from the County (See Notes 25 and 26, 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, 2010, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	
Public assistance	\$ 531,880
Transfers from county board of DD fund to:	
Nonmajor governmental funds	<u>30,000</u>
Total	<u>\$ 561,880</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.

Transfers between governmental funds are eliminated for reporting on the statement of activities.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

**B.** Loans to/from other funds consisted of the following at December 31, 2010:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 55,000
Sewer district	Nonmajor enterprise fund	<u>8,000</u>
Total		<u>\$ 63,000</u>

Loans to/from other funds represent long-term interfund loans that are not expected to be repaid within one year. During 2003, the general fund loaned the transportation coordination fund (a nonmajor governmental fund) a total of \$55,000 which will be repaid as resources become available. The sewer district has loaned the east Holmes water fund a total of \$8,000. This loan is being paid back over a number of years as resources become available.

**C.** Due from/to other funds consisted of the following at December 31, 2010, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	County disposal	<u>\$ 58,552</u>

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

**NOTE 6 - PROPERTY TAXES**

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year 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. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2009-2010, the County was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer 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, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2010 was \$11.55 per \$1,000 of assessed value.

The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	\$ 762,804,820
Tangible Personal Property	586,380
Public Utility	<u>28,970,890</u>
Total Assessed Value	<u><u>\$ 792,362,090</u></u>

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2010, consisted of taxes, loans, accounts (billings for user charged services), interfund transactions related to charges for goods and services rendered, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the balance sheets and statement of net assets and all interfund transactions related to charges for goods and services rendered have been classified as "due from other funds" on the balance sheets and statement of net assets. Sewer notes receivable have been recorded as described in Note 2.D. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

**HOLMES COUNTY, OHIO**

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

**A. Permissive Sales and Use Tax**

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

Amounts that have been collected by the State and that are to be received within the available period are accrued as revenue on the fund financial statements. Each month, the sales tax revenue is allocated to three funds. The debt service fund receives \$15,000, the capital improvements fund receives \$6,000, the landfill capital projects fund receives \$20,000 and the remainder is allocated to the general fund. Sales tax revenue for 2010 amounted to \$4,463,179 as reported on the fund financial statements.

HOLMES COUNTY, OHIO

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

**B. Intergovernmental**

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

<u>General fund</u>	<u>Amount</u>
Homestead and rollback	\$ 127,500
Local government	291,060
Grants	5,143
Total	<u>423,703</u>
<u>County Board of DD</u>	
Grants	114,132
Homestead and rollback	138,950
Total	<u>253,082</u>
<u>Motor vehicle license and gas tax</u>	
Gasoline excise and motor vehicle license tax	94,629
Grants	1,984,698
Total	<u>2,079,327</u>
<u>Nonmajor governmental funds</u>	
Public assistance	245,097
County home	44,800
Childrens services	600
Probate court	14,696
CHIP	8,750
Total	<u>313,943</u>
Total governmental funds	<u>\$ 3,070,055</u>
<u>Agency funds</u>	
Park district	\$ 6,000
Travel and tourism	35,229
County public library	565,287
Gasoline and license tax	734,793
Undivided municipal permissive tax	1,382
Undivided local government	485,100
Total agency funds	<u>\$ 1,827,791</u>

**HOLMES COUNTY, OHIO**

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

**C. Accounts Receivable - Enterprise Funds**

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

	<u>Gross Receivable</u>	<u>Contractual Adjustments</u>	<u>Uncollectible Adjustments</u>	<u>Net Receivable</u>
Sewer district	\$ 258,234	\$ -	\$ -	\$ 258,234
Joel Pomerene Hospital	<u>8,116,949</u>	<u>(2,336,643)</u>	<u>(1,681,376)</u>	<u>4,098,930</u>
Total enterprise funds	<u>\$ 8,375,183</u>	<u>\$ (2,336,643)</u>	<u>\$ (1,681,376)</u>	<u>\$ 4,357,164</u>

**D. Sewer Notes Receivable**

The sewer district financed access fees for the Berlin wastewater treatment facility. The amounts owed to the sewer district for these services are recorded as "notes and loans receivable" on the financial statements. During 2010, the County received principal and interest payments of \$5,188 and \$1,681, respectively. As of December 31, 2010, there was \$24,111 in notes receivable.

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

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

	<u>Sewer District</u>	<u>Joel Pomerene Hospital</u>	<u>Charges for Services Total</u>
Gross charges for service revenue	\$ 1,262,016	\$ 58,875,555	\$ 60,137,571
Revenue deductions:			
Provision for contractual allowances	-	(25,793,651)	(25,793,651)
Provision for prompt payment discounts	<u>-</u>	<u>(1,911,179)</u>	<u>(1,911,179)</u>
Net charges for services revenue	<u>\$ 1,262,016</u>	<u>\$ 31,170,725</u>	<u>\$ 32,432,741</u>



**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010, was as follows:

<b><u>Governmental activities:</u></b>	Balance 12/31/2009	Additions	Deductions	Balance 12/31/2010
<i>Capital assets, not being depreciated:</i>				
Land	\$ 843,613	\$ -	\$ -	\$ 843,613
Construction in progress	<u>1,718,076</u>	<u>532,373</u>	<u>(2,208,385)</u>	<u>42,064</u>
 Total capital assets, not being depreciated	 <u>2,561,689</u>	 <u>532,373</u>	 <u>(2,208,385)</u>	 <u>885,677</u>
<i>Capital assets, being depreciated:</i>				
Buildings	18,279,677	5,000	(82,579)	18,202,098
Improvements other than buildings	101,775	30,000	-	131,775
Furniture, fixtures and equipment	3,320,193	159,041	(68,877)	3,410,357
Vehicles	4,108,953	327,566	(278,654)	4,157,865
Infrastructure	<u>22,676,042</u>	<u>3,788,469</u>	<u>-</u>	<u>26,464,511</u>
 Total capital assets, being depreciated	 <u>48,486,640</u>	 <u>4,310,076</u>	 <u>(430,110)</u>	 <u>52,366,606</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(7,920,832)	(494,322)	82,579	(8,332,575)
Improvements other than buildings	(79,369)	(1,899)	-	(81,268)
Furniture, fixtures and equipment	(2,515,277)	(231,584)	63,030	(2,683,831)
Vehicles	(2,809,746)	(335,743)	178,462	(2,967,027)
Infrastructure	<u>(11,425,357)</u>	<u>(917,943)</u>	<u>-</u>	<u>(12,343,300)</u>
 Total accumulated depreciation	 <u>(24,750,581)</u>	 <u>(1,981,491)</u>	 <u>324,071</u>	 <u>(26,408,001)</u>
 Total capital assets, being depreciated net	 <u>23,736,059</u>	 <u>2,328,585</u>	 <u>(106,039)</u>	 <u>25,958,605</u>
 Governmental activities capital assets, net	 <u>\$ 26,297,748</u>	 <u>\$ 2,860,958</u>	 <u>\$ (2,314,424)</u>	 <u>\$ 26,844,282</u>

**HOLMES COUNTY, OHIO**

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

<b><u>Business-type activities:</u></b>	<u>Balance</u>			<u>Balance</u>
	<u>12/31/2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/2010</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,068,963	\$ -	\$ -	\$ 1,068,963
Construction in progress	370,798	3,093,505	-	3,464,303
Total capital assets, not being depreciated	<u>1,439,761</u>	<u>3,093,505</u>	<u>-</u>	<u>4,533,266</u>
<i>Capital assets, being depreciated:</i>				
Land improvement	786,434	189,568	-	976,002
Buildings and improvement	2,679,103	-	-	2,679,103
Equipment and machinery	872,029	11,250	-	883,279
Sewer/water lines	4,188,236	325,000	-	4,513,236
Building and fixed equipment	17,802,209	29,065	-	17,831,274
Moveable equipment	10,907,303	445,459	-	11,352,762
Sub-specialty medical clinic	214,198	-	-	214,198
Modular medical office building	560,323	-	-	560,323
OB/GYN clinic moveable equipment	34,000	-	(17,000)	17,000
Total capital assets, being depreciated	<u>38,043,835</u>	<u>1,000,342</u>	<u>(17,000)</u>	<u>39,027,177</u>
<i>Less: accumulated depreciation:</i>				
Land improvement	(575,224)	(29,917)	-	(605,141)
Buildings and improvements	(1,130,216)	(67,835)	-	(1,198,051)
Equipment and machinery	(448,340)	(39,069)	-	(487,409)
Sewer/water lines	(1,798,757)	(112,832)	-	(1,911,589)
Building and fixed equipment	(7,610,710)	(585,959)	-	(8,196,669)
Moveable inventory	(8,082,756)	(873,626)	-	(8,956,382)
Sub-specialty medical clinic	(144,020)	(137)	-	(144,157)
Modular medical office building	(449,184)	(204)	-	(449,388)
OB/GYN clinic moveable equipment	(29,468)	(3,683)	16,150	(17,001)
Total accumulated depreciation	<u>(20,268,675)</u>	<u>(1,713,262)</u>	<u>16,150</u>	<u>(21,965,787)</u>
Total capital assets, being depreciated net	<u>17,775,160</u>	<u>(712,920)</u>	<u>(850)</u>	<u>17,061,390</u>
Business-type activities capital assets, net	<u>\$ 19,214,921</u>	<u>\$ 2,380,585</u>	<u>\$ (850)</u>	<u>\$ 21,594,656</u>

**HOLMES COUNTY, OHIO**

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

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

**Governmental activities:**

Legislative and executive	\$ 113,018
Judicial	28,242
Public safety	240,071
Public works	1,153,405
Health	8,762
Human services	<u>437,993</u>
Total depreciation expense - governmental activities	<u>\$ 1,981,491</u>

**Business-type activities:**

Sewer district	\$ 219,736
Joel Pomerene Memorial Hospital	<u>1,493,526</u>
Total depreciation expense - business-type activities	<u>\$ 1,713,262</u>

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

**A. Governmental Activities**

The County has entered into a capital lease agreement for copier equipment. Capital assets consisting of equipment have been capitalized in the amount of \$8,109. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2010 was \$405, leaving a current book value of \$7,704. A corresponding liability was recorded in the statement of net assets. Principal payments in 2010 totaled \$949 paid by the County from the general fund.

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

<u>Year Ended</u>	<u>County</u>
2011	\$ 1,900
2012	1,900
2013	1,900
2014	1,900
2015	<u>950</u>
Total minimum lease payments	8,550
Less: Amounts representing interest	<u>(1,390)</u>
Present value of minimum lease payments	<u>\$ 7,160</u>

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)**

**B. Business-Type Activities**

The Hospital has entered into various non-cancelable lease agreements for equipment. These capital leases are due in monthly installments including interest at rates ranging from 4 to 7.5 percent. They expire at various times through 2014 and are collateralized by the equipment leased. Capital assets consisting of equipment have been capitalized in the amount of \$993,508. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2010 was \$326,400, leaving a current book value of \$667,108. A corresponding liability was recorded in the statement of net assets. Principal payments in 2010 totaled \$133,673 paid by the Hospital.

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

<u>Year Ended</u>	<u>Hospital</u>
2011	\$ 179,501
2012	175,234
2013	133,015
2014	<u>58,065</u>
Total minimum lease payments	545,815
Less: Amounts representing interest	<u>(55,613)</u>
Present value of minimum lease payments	<u>\$ 490,202</u>

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

The Hospital has entered into operating lease agreements for equipment which expire at various times through 2014. Equipment operating lease expense totaled \$351,346 in 2010.

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 \$457,077. Office lease expense totaled \$169,650 in 2010.

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 \$285,180 in 2010.

**HOLMES COUNTY, OHIO**

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

**A. Long-Term Obligations**

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

	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>
<u>General obligation bonds:</u>			
1994 Jail	5.25%	\$ 2,700,000	12/1/2024
1995 Job and Family Services various purpose	3.9-5.8%	\$ 1,740,000	12/1/2019
1998 Capital Facilities	4.25%	\$ 2,400,000	12/1/2012
<u>Revenue bonds:</u>			
1997 Sewer	5.00%	\$ 2,977,000	5/1/2037
USDA loan *	3.25%	\$ 1,844,746	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%	\$ 642,874	1/11/2011

\* The USDA loan and the walnut creek upgrade OPWC loan have not been completely disbursed as of December 31, 2010. The amounts presented in the original issue column are the amounts disbursed as of December 31, 2010.

**HOLMES COUNTY, OHIO**

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

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

During 2010, the following activity occurred in the County's governmental long-term obligations:

	<u>Balance</u> 12/31/2009	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 12/31/2010	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
Series 1994 jail bond	\$ 1,844,000	\$ -	\$ (84,000)	\$ 1,760,000	\$ 88,000
Series 1995 various purpose bond	1,000,000	-	(75,000)	925,000	80,000
Series 1998 capital facilities bond	<u>615,000</u>	<u>-</u>	<u>(195,000)</u>	<u>420,000</u>	<u>205,000</u>
Total general obligation bonds	<u>\$ 3,459,000</u>	<u>\$ -</u>	<u>\$ (354,000)</u>	<u>\$ 3,105,000</u>	<u>\$ 373,000</u>
<u>Other long-term obligations:</u>					
Capital lease obligation	\$ -	\$ 8,109	\$ (949)	\$ 7,160	\$ 1,377
Compensated absences payable	<u>1,035,860</u>	<u>700,804</u>	<u>(660,826)</u>	<u>1,075,838</u>	<u>692,853</u>
Total other long-term obligations	<u>\$ 1,035,860</u>	<u>\$ 708,913</u>	<u>\$ (661,775)</u>	<u>\$ 1,082,998</u>	<u>\$ 694,230</u>
Total governmental activities long-term obligations	<u>\$ 4,494,860</u>	<u>\$ 708,913</u>	<u>\$ (1,015,775)</u>	<u>\$ 4,187,998</u>	<u>\$ 1,067,230</u>

General Obligation Bonds: The general obligation bonds are supported by the full faith and credit of the County. The 1994 jail bond will be repaid with sales taxes revenue. The various purpose and capital facilities bonds will be repaid with rental revenue of the human services building and with sales taxes.

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

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

<u>Major Governmental Funds</u>	<u>Non Major Governmental Funds (continued)</u>
General	Real estate assessment
Motor vehicle license and gas tax	State victims assistance
County board of DD	License bureau
<u>Major Enterprise Funds</u>	County home
Sewer district	Jail kitchen
<u>Non Major Governmental Funds</u>	Probate court
Dog and kennel	Disaster services
Public assistance	Youth services
Child support enforcement	Recycling and litter

**HOLMES COUNTY, OHIO**

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

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

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 373,000	\$ 166,525	\$ 539,525
2012	393,000	147,271	540,271
2013	188,000	126,978	314,978
2014	198,000	116,612	314,612
2015	208,000	105,700	313,700
2016 - 2020	1,108,000	341,083	1,449,083
2021 - 2024	<u>637,000</u>	<u>85,785</u>	<u>722,785</u>
Total	<u>\$ 3,105,000</u>	<u>\$ 1,089,954</u>	<u>\$ 4,194,954</u>

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

During 2010, the following activity occurred in the County's business-type activities long-term obligations:

	<u>Balance</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2010</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>Revenue bonds:</u>					
Series 1997 sewer bonds	\$ 2,411,500	\$ -	\$ (45,000)	\$ 2,366,500	\$ 46,000
Total revenue bonds	<u>2,411,500</u>	<u>-</u>	<u>(45,000)</u>	<u>2,366,500</u>	<u>46,000</u>
<u>OPWC loans:</u>					
Sanitary sewer plant	36,392	-	(2,912)	33,480	2,911
Mt. Hope	42,911	-	(3,901)	39,010	3,901
Walnut Creek	137,984	-	(8,363)	129,621	8,363
Walnut Creek Upgrade	<u>-</u>	<u>642,874</u>	<u>-</u>	<u>642,874</u>	<u>16,667</u>
Total OPWC loans	<u>217,287</u>	<u>642,874</u>	<u>(15,176)</u>	<u>844,985</u>	<u>31,842</u>
<u>Other long-term obligations:</u>					
USDA loan	-	1,844,746	-	1,844,746	-
Note payable	1,175,000	-	(50,000)	1,125,000	50,000
Capital leases-equipment	354,526	269,349	(133,673)	490,202	151,163
Landfill closure and postclosure care liability	4,935,261	8,500	-	4,943,761	-
Compensated absences	<u>16,234</u>	<u>14,401</u>	<u>(11,250)</u>	<u>19,385</u>	<u>14,401</u>
Total other long-term obligations	<u>6,481,021</u>	<u>2,136,996</u>	<u>(194,923)</u>	<u>8,423,094</u>	<u>215,564</u>
Total business-type activities long-term obligations	<u>\$ 9,109,808</u>	<u>\$ 2,779,870</u>	<u>\$ (255,099)</u>	<u>\$ 11,634,579</u>	<u>\$ 293,406</u>

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

Revenue Bonds: The County has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2,977,000 in bonds. The bonds are payable solely from sewer customer net revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require up to 37.79 percent of net revenues and 13.11 percent of total revenues. The total principal and interest remaining to be paid on the bonds is \$4,510,250. Principal and interest paid for the current year and total customer net revenues were \$165,575 and \$438,137 respectively.

OPWC Loans: The Ohio Public Works Commission (OPWC) loans are general obligations of the County and will be repaid from the sewer district fund. The OPWC loans are interest free, providing repayment remains current. The future debt service requirements for the OPWC loans does not include the walnut creek upgrade loan as this loan has not been completely disbursed and closed out as of December 31, 2010.

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. As of December 31, 2010, the County has received proceeds of \$1,844,746 in USDA loans in the sewer district fund. The future debt service requirements do not include the USDA loan as it has not been completely disbursed and closed out as of December 31, 2010.

Note Payable: The Hospital has obtained a \$1,250,000, unsecured, interest-free, loan from Aultman Health Foundation (Aultman), with annual payments of \$50,000 through July 2033. Aultman has the option to call the loan in July 2018. A corresponding liability was recorded in the statement of net assets. Principal payments in 2010 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, 2010.

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



**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
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**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

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

Year Ended	Revenue bonds			OPWC	Note
	Principal	Interest	Total	Loans	Payable
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Principal</u>
2011	\$ 46,000	\$ 127,000	\$ 173,000	\$ 15,175	\$ 50,000
2012	49,000	124,700	173,700	15,176	50,000
2013	51,000	122,250	173,250	15,175	50,000
2014	54,000	119,700	173,700	15,175	50,000
2015	56,000	117,000	173,000	15,176	50,000
2016 - 2020	328,000	539,750	867,750	75,872	875,000
2021 - 2025	418,000	449,200	867,200	46,180	-
2026 - 2030	534,000	333,650	867,650	4,182	-
2031 - 2035	682,000	186,150	868,150	-	-
2036	148,500	24,350	172,850	-	-
Total	<u>\$ 2,366,500</u>	<u>\$ 2,143,750</u>	<u>\$ 4,510,250</u>	<u>\$ 202,111</u>	<u>\$ 1,125,000</u>

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

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, the County's voted legal debt margin was \$17,305,750 at December 31, 2010 and the unvoted legal debt margin was \$7,363,677 at December 31, 2010.

**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.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - OTHER EMPLOYEE BENEFITS - (Continued)**

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, 2010, the total liability for unpaid compensated absences was \$1,095,223 (both governmental and business-type activities).

**B. Health and Life Insurance**

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

**NOTE 14 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2010, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for liability, property, and crime insurance. The CORSA program has a \$2,500 deductible.

Coverage provided by CORSA is as follows:

General Liability (per occurrence)	\$ 1,000,000
Stop Loss (aggregate excess)	1,000,000
Automobile Liability (per occurrence)	1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Errors and Omissions Liability	
- Per occurrence	1,000,000
- Annual aggregate	1,000,000
Crime Coverage (per each occurrence)	
Employee Dishonesty/Faithful Performance	1,000,000
Money and Securities (inside and outside)	1,000,000
Depositor's Forgery	1,000,000
Money Orders and Counterfeit Paper Currency	1,000,000
Building and Contents	75,204,944
Other Property Insurance:	
Valuable Papers	1,000,000
Extra Expense	1,000,000
Contractors Equipment	Replacement Cost
Inland Marine	1,000,000
Motortruck Cargo	100,000
Flood and Earthquake (pool limit)	100,000,000
Auto Physical Damage	Actual Cash Value
Comprehensive Boiler and Machinery	100,000,000
EDP Media	100,000 per policy
Unintentional omissions (per occurrence)	250,000
Newly acquired location	5,000,000

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### **NOTE 14 - RISK MANAGEMENT - (Continued)**

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 2010, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. (See Note 2.A.). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria.

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

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

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.

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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 that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, 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 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The County's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.87% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The County's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$1,201,667, \$1,136,989, and \$1,063,474, respectively; 100% has been contributed for 2010, 2009 and 2008. Contributions to the member-directed plan for 2010 were \$23,305 made by the County and \$16,646 made by the plan members.

The Hospital's contributions for pension obligations were approximately \$926,000, \$895,000 and \$739,000 for the years ended December 2010, 2009 and 2008, respectively.

#### B. State Teachers Retirement System

Plan Description - Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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 2010, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2010, 2009, and 2008 were \$82,934, \$91,119, and \$111,128, respectively; 100% has been contributed for fiscal years 2010, 2009 and 2008.

#### NOTE 16 - POSTRETIREMENT BENEFIT PLANS

##### A. Ohio Public Employees Retirement

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

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

## HOLMES COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### **NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 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 2010, local government employers contributed 14.00% of covered payroll (17.87% 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 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

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, 2010, 2009, and 2008 were \$657,366, \$816,327, and \$1,063,474, respectively; 100% has been contributed for 2010, 2009 and 2008.

The Hospital's contributions allocated to fund post-employment health care benefits were approximately \$595,000, \$647,000 and \$756,500 for the years ended December 31, 2010, 2009 and 2008.

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

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

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

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the fiscal years ended December 31, 2010, 2009, and 2008 were \$6,380, \$7,009, and \$8,548, respectively; 100 % has been contributed for fiscal years 2010, 2009 and 2008.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and major special revenue funds 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); and,
- (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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue funds are as follows:

	<b>Net Change in Fund Balances</b>		
	<u>General</u>	<u>County Board of DD</u>	<u>Motor Vehicle License and Gas Tax</u>
Budget basis	\$ 557,145	\$ 72,148	\$ (118,993)
Net adjustment for revenue accruals	48,337	(61,329)	(645,105)
Net adjustment for expenditure accruals	(65,213)	(23,993)	929,835
Net adjustment for other financing sources/(uses)	8,109	-	-
Encumbrances (budget basis)	<u>7,550</u>	<u>-</u>	<u>-</u>
GAAP Basis	<u>\$ 555,928</u>	<u>\$ (13,174)</u>	<u>\$ 165,737</u>

**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, 2010.

**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, 2010.

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

State and federal regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$4,943,761 reported as landfill closure and postclosure care liability at December 31, 2010, represents the cumulative amount reported to date based on the use of 86.80 percent of the estimated capacity of the landfill. Based on current usage, the remaining useful life is estimated to be 2.7 years. At December 31, 2010, the total estimated cost to perform closure and postclosure care of the landfill was \$5,695,700. This amount represents an estimate of what it would cost to perform all closure and postclosure care at December 31, 2010. The County will recognize the remaining estimated cost of closure and postclosure care of \$751,939 as the remaining estimated capacity is filled. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.



**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 20 - 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 \$1,911,000 in 2010.

**NOTE 21 - 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.

**NOTE 22 - RELATED PARTY TRANSACTIONS**

During 2010, 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 \$328,055 for such contributions. Lynn Hope Industries recorded operating revenues and expenses at cost or fair value as applicable, to the extent the contribution is related to the vocational purpose of the Workshop.

The Northeast Ohio Health Outreach Network (Network) is controlled by four area hospitals, one of which is the 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. The Network did not receive any federal grant monies in 2010.

**NOTE 23 - INCOME GRANTS AND FORGIVENESS OF EDUCATIONAL LOANS**

As part of the Hospital's recruitment program for new physicians, the Hospital offers income grants and forgiveness of education loans in exchange for a commitment to a minimum term of service. As of December 31, 2010, the County did not have any loans receivable in connection with these income grants and forgiveness of education loans.

**NOTE 24 - 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.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 24 - HOLMES COUNTY REGIONAL PLANNING COMMISSION - (Continued)**

**A. Basis of Accounting**

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

**B. Deposits and Investments**

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

**C. Compensated Absences**

The Commission records liabilities for vacation and sick leave accumulated by its employees at the same rate as the County (See Note 2.J.). At December 31, 2010, vacation and sick leave liability were \$5,383 and \$7,438, respectively. The entire compensated absences liability is reported on the government-wide financial statements.

**NOTE 25 - LYNN HOPE INDUSTRIES, INC.**

**A. Summary of Significant Accounting Policies**

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

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

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

Depreciation is based on the following policies:

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

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 25 - LYNN HOPE INDUSTRIES, INC. - (Continued)

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, 2010, there were no restricted contributions to the Organization.

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

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

**B. Non-Cash Transactions**

The Organization received in-kind services and facilities for the year ended December 31, 2010 from the Holmes County Board of DD. The value of the in-kind contribution was determined to be \$328,055 and is recorded in operating grants and operating expenses as an equivalent amount.

**C. Deposits and Investments**

The carrying amount and bank balance of the Organizations deposits at year end was \$131,294. 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 \$14,852 for the year ended December 31, 2010. The Organization had \$1,271 in accounts receivable from the Holmes County Board of DD at December 31, 2010.

**E. Long-Term Liabilities**

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

Note payable	\$ 127,627
Less: current portion	<u>(14,231)</u>
Total	<u>\$ 113,396</u>

**HOLMES COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

**NOTE 25 - LYNN HOPE INDUSTRIES, INC. - (Continued)**

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

2011	\$ 14,231
2012	15,108
2013	16,040
2014	17,030
2015	18,080
2016 - 2020	<u>47,138</u>
Total	<u>\$ 127,627</u>

**F. Capital Assets**

A summary of capital assets at December 31, 2010 follows:

Equipment	\$ 76,730
Vehicles	<u>9,842</u>
Subtotal	86,572
Less: accumulated depreciation	<u>(76,603)</u>
Net capital assets	<u>\$ 9,969</u>

**NOTE 26 - 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. The Airport Authority also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, provided it does not conflict with or contradict GASB pronouncements. The Airport Authority has the option to also apply FASB guidance issued after November 30, 1989 subject to this same limitation. The Airport Authority has elected not to apply these FASB Statements and Interpretations.

**HOLMES COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 26 - HOLMES COUNTY AIRPORT AUTHORITY - (Continued)**

*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, 2010, follows:

Land	\$ 54,357
Construction in progress	699,957
Buildings and improvements	581,743
Equipment	<u>131,455</u>
Subtotal	1,467,512
Less: accumulated depreciation	<u>(364,244)</u>
Net capital assets	<u>\$ 1,103,268</u>

**B. Deposits with Financial Institutions**

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

At December 31, 2010, the carrying amount and bank balance of the Airport Authority's deposits was \$772,699. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$272,699 of the Airport Authority's bank balance of \$772,699 was exposed to custodial risk as discussed below, while \$500,000 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.