

HOLMES COUNTY, OHIO

BASIC FINANCIAL STATEMENTS
(Audited)

FOR THE YEAR ENDED
DECEMBER 31, 2015

JACKIE MCKEE, AUDITOR

HOLMES COUNTY

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

Independent Auditor's Report

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

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and the remaining fund information of Holmes County, Ohio, as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise Holmes County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of the Joel Pomerene Memorial Hospital, which represent 70.77 percent, 74.97 percent, and 94.45 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the Joel Pomerene Memorial Hospital, is based solely on the report of other auditors. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards requires us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and the remaining fund information of Holmes County, Ohio, as of December 31, 2015, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, County Board of DD, and Motor Vehicle License and Gas Tax Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, Holmes County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No 68*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted to opine on Holmes County's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016, on our consideration of Holmes County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holmes County's internal control over



Julian & Grube, Inc.
June 24, 2016

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- The total net position of the County increased \$4,676,543 over the restated net position of \$54,672,172. Net position of governmental activities increased \$3,732,607, which represents a 12.26% increase from the restated net position of \$30,440,861. Net position of business-type activities increased \$943,936 or 3.90% from the restated net position of \$24,231,311.
- General revenues accounted for \$15,664,946 or 43.17% of total governmental activities revenue. Program specific revenues accounted for \$20,620,972 or 56.83% of total governmental activities revenue.
- The County had \$32,453,311 in governmental activities expenses; \$20,620,972, or 63.54%, of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$15,664,946 were adequate to provide for these programs.
- The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$12,969,424 in 2015, an increase of \$682,909 or 5.56% from 2014. The general fund had expenditures and other financing uses of \$11,103,991 in 2015, an increase of \$693,879 or 6.67% from 2014. The net changes in revenues and expenditures contributed to the general fund balance increase of \$1,865,433 or 30.48% from 2014 to 2015.
- The county board of developmental disabilities (DD) fund, a major governmental fund, had revenues of \$5,782,639 in 2015, an increase of \$2,534 or 0.04% from 2014. The DD fund had expenditures and other financing uses of \$5,688,416 in 2015, a decrease of \$415,768 or 6.81% from 2014. The net changes in revenues and expenditures contributed to the DD fund balance increase of \$94,223 or 4.49% from 2014 to 2015.
- The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$6,652,205 in 2015, an increase of \$1,683,000 or 34.06% from 2014. The motor vehicle license and gas tax fund had expenditures of \$6,155,815 in 2015, an increase of \$739,165 or 13.65% from 2014. The motor vehicle license and gas tax fund balance increased \$496,390 or 36.07% from 2014 to 2015.
- Net position for the business-type activities, which is made up of the sewer district and Joel Pomerene Memorial Hospital enterprise funds, increased in 2015 by \$943,936 or 3.90%. from the restated net position of \$24,231,311.

Using the Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the County as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

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

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities answer the question, "How did we do financially during 2015?" These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

The County's major governmental funds are the general fund, county board of developmental disabilities (DD) and motor vehicle license and gas tax. The County's major enterprise funds are the sewer district and Joel Pomerene Memorial Hospital. The analysis of the County's major governmental and proprietary funds begins on page 13.

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

Governmental Funds

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

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

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

Proprietary Funds

The County maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its sewer 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 27-30 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 31 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 32-86 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's net pension liability. The required supplementary information can be found on pages 87-93 of this report.

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Government-Wide Financial Analysis

The statement of net position provides the perspective of the County as a whole. The table below provides a summary of the County's net position at December 31, 2015 and December 31, 2014. The net position at December 31, 2014 has been restated as described in Note 3.A.

	Net Position					
	Governmental	Restated	Business-type	Restated	Total	Restated
	Activities	Governmental	Activities	Business-type	Total	Total
	2015	2014	2015	2014	2015	2014
<u>Assets</u>						
Current and other assets	\$ 33,757,551	\$ 31,363,357	\$ 20,132,459	\$ 19,782,518	\$ 53,890,010	\$ 51,145,875
Capital assets, net	25,949,854	25,651,569	23,970,680	23,560,530	49,920,534	49,212,099
Total assets	59,707,405	57,014,926	44,103,139	43,343,048	103,810,544	100,357,974
<u>Deferred Outflows of Resources</u>						
Pension	1,925,405	1,308,389	1,909,690	1,298,143	3,835,095	2,606,532
Total deferred outflows of resources	1,925,405	1,308,389	1,909,690	1,298,143	3,835,095	2,606,532
<u>Liabilities</u>						
Current and other liabilities	1,349,624	2,246,790	2,438,121	2,591,026	3,787,745	4,837,816
Long-term liabilities outstanding:						
Due within one year	1,105,256	1,102,177	379,566	366,493	1,484,822	1,468,670
Net pension liability	11,935,274	11,592,457	10,183,953	9,953,932	22,119,227	21,546,389
Other amounts	6,390,790	6,696,524	7,641,573	7,498,429	14,032,363	14,194,953
Total liabilities	20,780,944	21,637,948	20,643,213	20,409,880	41,424,157	42,047,828
<u>Deferred Inflows of Resources</u>						
Property taxes	6,149,867	6,040,514	-	-	6,149,867	6,040,514
Pension	528,531	203,992	194,369	-	722,900	203,992
Total deferred inflows of resources	6,678,398	6,244,506	194,369	-	6,872,767	6,244,506
<u>Net Position</u>						
Net investment in capital assets	24,150,558	23,644,071	15,954,126	15,699,577	40,104,684	39,343,648
Restricted	11,243,039	9,892,206	567,728	568,785	11,810,767	10,460,991
Unrestricted (deficit)	(1,220,129)	(3,095,416)	8,653,393	7,962,949	7,433,264	4,867,533
Total net position	\$ 34,173,468	\$ 30,440,861	\$ 25,175,247	\$ 24,231,311	\$ 59,348,715	\$ 54,672,172

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

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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

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

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

As a result of implementing GASB 68, the County is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$40,922,010 to \$30,440,861 and business-type activities from \$32,873,608 to \$24,231,311.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$59,348,715. This amounts to \$34,173,468 in governmental activities and \$25,175,247 in business-type activities.

HOLMES COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 48.09% of total governmental and business-type assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, construction in progress and infrastructure. The net investment in capital assets at December 31, 2015, was \$40,104,684. These capital assets are used to provide services to citizens and are not available for future spending.

A portion of the County's governmental activities net position, \$11,243,039 or 32.90%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities net position is a deficit of \$1,220,129.

Overall, total assets increased in 2015 while total liabilities decreased slightly. Capital assets increased slightly for the governmental activities, as acquisitions exceeded net disposals and depreciation expense in 2015. The increase in current and other assets for the governmental activities is mostly due to an increase of about \$2.2 million in cash and cash equivalents. For the business-type activities, the increase is mostly related to an increase in assets limited as to use of \$572,909.

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HOLMES COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The following table shows the changes in net position for governmental and business-type activities for 2015 and 2014. See Note 3.A for detail regarding the restatement of net position.

	Change in Net Position					
	Governmental	Business-type	Governmental	Business-type	2015	2014 (restated)
	Activities 2015	Activities 2015	Activities 2014 (restated)	Activities 2014 (restated)	Total	Total
Revenues						
Program revenues:						
Charges for services and sales	\$ 6,675,027	\$ 34,025,156	\$ 6,580,624	\$ 33,588,121	\$ 40,700,183	\$ 40,168,745
Operating grants and contributions	12,265,793	-	11,909,956	-	12,265,793	11,909,956
Capital grants and contributions	1,680,152	714,022	573,571	-	2,394,174	573,571
Total program revenues	20,620,972	34,739,178	19,064,151	33,588,121	55,360,150	52,652,272
General revenues:						
Property taxes	6,350,503	-	6,123,078	-	6,350,503	6,123,078
Sales tax	7,278,209	-	6,599,709	-	7,278,209	6,599,709
Unrestricted grants	1,758,102	-	1,852,622	85,383	1,758,102	1,938,005
Investment earnings	149,750	57,685	141,922	64,457	207,435	206,379
Other	128,382	1,826,579	115,004	2,312,778	1,954,961	2,427,782
Total general revenues	15,664,946	1,884,264	14,832,335	2,462,618	17,549,210	17,294,953
Total revenues	36,285,918	36,623,442	33,896,486	36,050,739	72,909,360	69,947,225
Expenses						
Program Expenses:						
General government						
Legislative and executive	5,465,618	-	5,368,912	-	5,465,618	5,368,912
Judicial	2,060,862	-	2,221,541	-	2,060,862	2,221,541
Public safety	4,707,218	-	4,373,404	-	4,707,218	4,373,404
Public works	6,439,719	-	5,406,690	-	6,439,719	5,406,690
Health	353,851	-	225,302	-	353,851	225,302
Human services	12,872,508	-	13,557,125	-	12,872,508	13,557,125
Conservation and recreation	385,234	-	332,932	-	385,234	332,932
Interest and fiscal charges	168,301	-	172,770	-	168,301	172,770
Sewer District	-	1,542,360	-	1,462,820	1,542,360	1,462,820
Joel Pomerene Hospital	-	34,237,146	-	32,578,846	34,237,146	32,578,846
Total expenses	32,453,311	35,779,506	31,658,676	34,041,666	68,232,817	65,700,342
Excess of revenues over expenses	3,832,607	843,936	2,237,810	2,009,073	4,676,543	4,246,883
Transfers	(100,000)	100,000	-	-	-	-
Change in net position	3,732,607	943,936	2,237,810	2,009,073	4,676,543	4,246,883
Net position at beginning of year (restated)	30,440,861	24,231,311	N/A	N/A	54,672,172	N/A
Net position at end of year	\$ 34,173,468	\$ 25,175,247	\$ 30,440,861	\$ 24,231,311	\$ 59,348,715	\$ 54,672,172

HOLMES COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$2,606,532 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,459,757. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2015 program expenses under GASB 68	\$ 32,453,311	\$ 35,779,506
Pension expense under GASB 68	(1,319,644)	(1,140,113)
2015 contractually required contributions	1,287,755	1,363,284
Adjusted 2015 program expenses	32,421,422	36,002,677
Total 2014 program expenses under GASB 27	31,658,676	34,041,666
Increase (decrease) in program expenses not related to pension	\$ 762,746	\$ 1,961,011

Governmental Activities

Governmental activities net position increased by \$3,732,607 in 2015 the restated net position as total revenues once again exceeded expenses. Total program revenues increased over 2014 primarily due to an increase in capital grants and contributions related to on behalf monies for projects through the Ohio Department of Transportation.

Human services, which support the operations of the county home, county board of DD, job and family services (public assistance), veteran services, and the children services board, accounted for \$12,872,508 of expenses, or 39.66% of total governmental expenses of the County. These expenses were funded by \$2,055,862 in charges to users of services, \$6,450,587 in operating grants and contributions and \$2,000 in capital grants and contributions in 2015. General government expenses, which include legislative and executive and judicial programs, accounted for \$7,526,480 or 23.19% of total governmental expenses. General government expenses were funded by \$3,358,290 of direct charges to users in 2015. Public works expenses, the County's third largest category of expenses, totaled \$6,439,719 in 2015 or 19.84% of total governmental expenses. The County's public works programs consist primarily of motor vehicle license and gas tax program, which funds road and other infrastructure repairs and improvements throughout the County.

Operating grants and contributions, which is mostly intergovernmental revenue from the State and Federal governments, totaled \$12,265,793 in 2015, compared to \$11,909,956 in 2014. These revenues are restricted to a particular program or purpose.

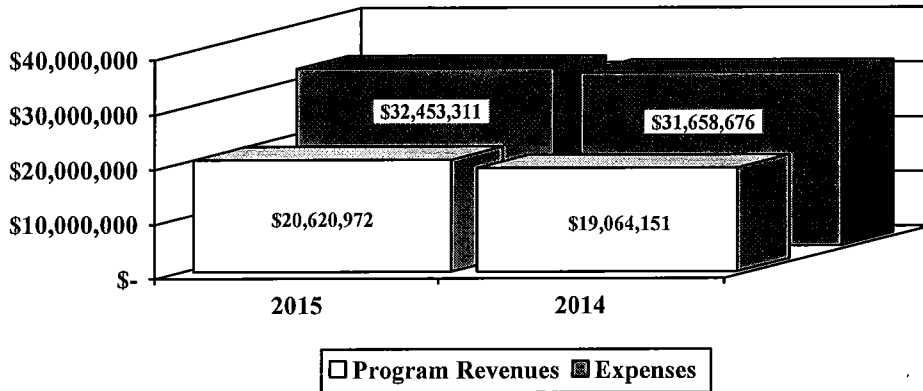
General revenues totaled \$15,664,946 and amounted to 43.17% of total revenues. These revenues primarily consist of property and sales tax revenue of \$13,628,712 or 87.00% of total general revenues in 2015. Revenues from property taxes increased 3.71% and sales taxes increased 10.28%. The other primary source of general revenues is grants and entitlements not restricted to specific programs, which makes up \$1,758,102 or 11.22% of the total. These revenues consist primarily of local government and local government revenue assistance.

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 2015 and 2014. 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



Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program Expenses:				
General government				
Legislative and executive	\$ 5,465,618	\$ 2,160,570	\$ 5,368,912	\$ 1,864,435
Judicial	2,060,862	1,559,830	2,221,541	1,678,462
Public safety	4,707,218	3,713,538	4,373,404	3,539,794
Public works	6,439,719	(556,092)	5,406,690	92,271
Health	353,851	156,815	225,302	41,237
Human services	12,872,508	4,364,059	13,557,125	4,994,640
Conservation and recreation	385,234	385,234	332,932	332,932
Interest and fiscal charges	168,301	48,385	172,770	50,754
Total	\$ 32,453,311	\$ 11,832,339	\$ 31,658,676	\$ 12,594,525

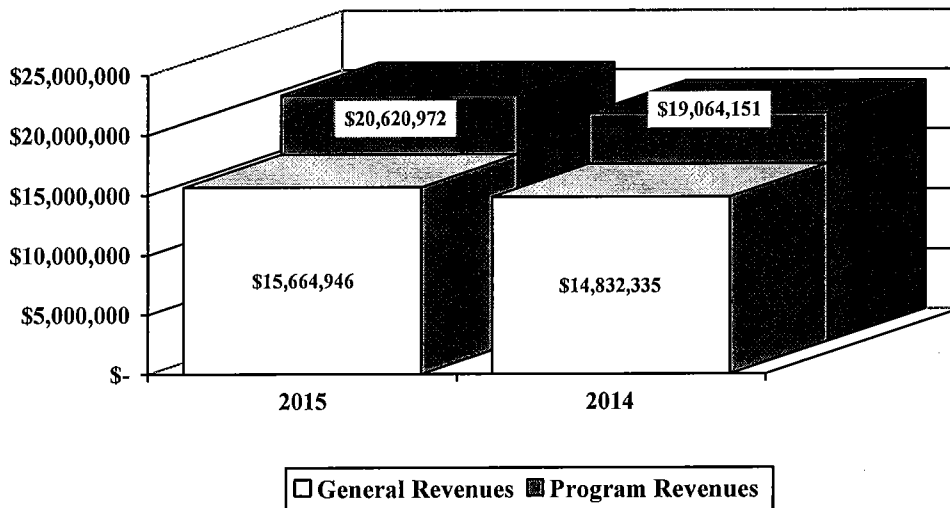
The dependence upon general revenues for governmental activities is apparent, with 36.46% of expenses supported through taxes and other general revenues during 2015.

HOLMES COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

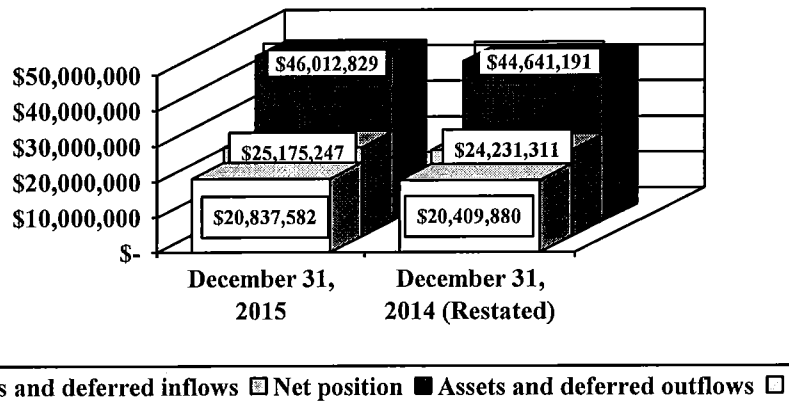
Governmental Activities - General and Program Revenues



Business-Type Activities

The sewer district and Joel Pomerene Memorial Hospital are the County's enterprise funds. These operations had program revenues of \$34,739,178, general revenues of \$1,884,264, and expenses of \$35,779,506 for fiscal year 2015. The net position of the enterprise funds increased \$943,936 or 3.90% from the restated net position. The following graph illustrates the assets, liabilities and net position of the County's business-type activities at December 31, 2015 and 2014:

Net Position in Business - Type Activities



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.

HOLMES COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Governmental Funds

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

The County's governmental funds (as reported on the balance sheet on page 20) reported a combined fund balance of \$22,150,550, which is \$2,968,349 higher than last year's total of \$19,182,201. The table on the following page shows the fund balance and the total change in fund balance as of December 31, 2015 for all major and non-major governmental funds.

	<u>Fund Balances</u> 12/31/15	<u>Fund Balances</u> 12/31/14	<u>Change</u>
Major funds:			
General	\$ 7,986,419	\$ 6,120,986	\$ 1,865,433
County Board of DD	2,193,937	2,099,714	94,223
Motor Vehicle License and Gas Tax	1,872,581	1,376,191	496,390
Other nonmajor governmental funds	<u>10,097,613</u>	<u>9,585,310</u>	<u>512,303</u>
Total	<u>\$ 22,150,550</u>	<u>\$ 19,182,201</u>	<u>\$ 2,968,349</u>

General Fund

The County's general fund balance increased \$1,865,433. The tables that follow assist in illustrating the revenues and expenditures of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 9,181,702	\$ 8,492,683	8.11 %
Charges for services	1,983,992	1,901,881	4.32 %
Licenses and permits	4,871	52,746	(90.77) %
Fines and forfeitures	89,409	88,117	1.47 %
Intergovernmental	1,385,047	1,442,008	(3.95) %
Investment income	149,757	141,915	5.53 %
Other	<u>130,309</u>	<u>115,147</u>	13.17 %
Total	<u>\$ 12,925,087</u>	<u>\$ 12,234,497</u>	5.64 %

Taxes revenue, which includes primarily real property and sales taxes, represents 71.04% of all general fund revenues. Most of the increase in taxes revenue came from sales taxes revenue, which increased \$614,811 or 10.23%. Charges for services revenue increased slightly due to increases in transfer tax/conveyance fees, clerk of courts fees, and various other charges for services. Licenses and permits decreased due to accounts receivable in 2014 that did not occur in 2015. All other revenues remained comparable to 2014.

HOLMES COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government			
Legislative and executive	\$ 3,704,923	\$ 3,519,373	5.27 %
Judicial	1,828,171	1,765,659	3.54 %
Public safety	3,854,704	3,638,672	5.94 %
Health	89,933	82,394	9.15 %
Human services	524,761	534,520	(1.83) %
Conservation and recreation	385,234	332,932	15.71 %
Capital outlay	11,004	-	100.00 %
Debt service	<u>3,327</u>	<u>1,900</u>	75.11 %
Total	<u>\$ 10,402,057</u>	<u>\$ 9,875,450</u>	5.33 %

Total general fund expenditures increased slightly in 2015, as most general fund departments experienced increased costs for employee wages and benefits as well as increased costs for materials and supplies. The increase in conservation and recreation expenditures was a result of increased expenditures for soil and water conversation.

County Board of DD

The county board of developmental disabilities (DD) fund is a major governmental fund that accounts for the operation of a school and resident homes for the developmentally disabled. The DD fund had revenues of \$5,782,639 in 2015, an increase of \$2,534 or 0.04% from 2014. The DD fund had expenditures and other financing uses of \$5,688,416 in 2015, a decrease of \$415,768 or 6.81% from 2014. The DD fund had decreased expenditures due primarily to a new capital lease and related debt service charges in 2014 and less transfers out for the purpose of funding capital projects. The net changes in revenues and expenditures contributed to the DD fund balance increase of \$94,223 or 4.49% from 2014 to 2015.

Motor Vehicle License and Gas Tax Fund

The motor vehicle license and gas tax fund is a major governmental fund that accounts for road and bridge repair and maintenance programs throughout the County. The fund had revenues and other financing sources of \$6,652,205 in 2015, an increase of \$1,711,544 or 34.64% from 2014. Most of the fund's revenues are intergovernmental revenues from the State for motor vehicles licenses and gasoline taxes. The motor vehicle license and gas tax fund had expenditures of \$6,155,815 in 2015, an increase of \$739,165 or 13.65% from 2014. The increase was due primarily to additional projects through the Ohio Department of Transportation. The motor vehicle license and gas tax fund balance increased \$496,390 or 36.07% from 2014 to 2015.

Budgeting Highlights - General Fund

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

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

HOLMES COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

In the general fund, original budgeted revenues and other financing sources of \$9,785,282 were increased to \$10,435,872 in the final budget. Actual revenues and other financing sources of \$12,372,215 were higher than final budgeted revenues by \$1,936,343 or 18.55%. Sales taxes revenue was \$2,082,069 higher than in the final budget; this is due to the County conservatively budgeting sales taxes at \$4,500,000 each year.

Original budgeted expenditures and other financing uses in the general fund were \$12,351,208. This was increased to \$12,618,181 in the final budget. Actual expenditures and other financing uses of \$10,850,730 were \$1,767,451 lower than final budgeted expenditures and financing uses. All departments in the general fund had a positive budget variance, most of which were due to the County's conservative budget practices in budgeting for higher employee wages and benefits costs.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. The basic proprietary fund financial statements can be found on pages 27-30 of this report.

Capital Assets and Debt Administration

Capital Assets

At the end of 2015, the County had \$49,920,534 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, construction in progress, sewer mains and infrastructure. Of this total, \$25,949,854 was reported in governmental activities and \$23,970,680 was reported in business-type activities. The following table shows 2015 balances compared to 2014:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 1,037,408	\$ 1,037,408	\$ 730,490	\$ 730,490	\$ 1,767,898	\$ 1,767,898
Land improvements	76,935	82,778	56,696	81,677	133,631	164,455
Building and improvements	6,231,361	6,634,542	15,212,541	15,821,623	21,443,902	22,456,165
Furniture, fixtures and equipment	1,454,424	1,592,672	3,427,948	3,457,952	4,882,372	5,050,624
Vehicles	2,262,035	1,821,066	-	-	2,262,035	1,821,066
Infrastructure	14,573,331	14,202,599	-	-	14,573,331	14,202,599
Sewer/water lines	-	-	4,543,005	3,468,788	4,543,005	3,468,788
Construction in progress	314,360	280,504	-	-	314,360	280,504
Total	\$ 25,949,854	\$ 25,651,569	\$ 23,970,680	\$ 23,560,530	\$ 49,920,534	\$ 49,212,099

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

The County's largest governmental activities capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 56.16% of the County's total governmental capital assets.

HOLMES COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The County's second largest business-type capital asset category is sewer/water lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's sewer and water lines (cost less accumulated depreciation) represents approximately 18.95% of the County's total business-type capital assets.

Debt Administration

At December 31, 2015 the County had \$12,191,049 in general obligation bonds, capital lease obligations, loans and notes payable. Of this total, \$689,025 is due within one year and \$11,502,024 is due in more than one year. The following table summarizes the outstanding debt.

Outstanding Debt, at Year End

	Governmental Activities 2015	Business-Type Activities 2015	Governmental Activities 2014	Business-Type Activities 2014
Long-Term Obligations				
General obligation bonds	\$ 4,070,000	\$ 2,110,000	\$ 4,350,000	\$ 2,185,000
Capital lease obligations	102,382	166,350	84,247	213,770
USDA loan	-	2,447,000	-	2,485,000
Note payable	-	1,421,000	-	1,562,000
OPWC loans	-	1,874,317	-	1,417,397
Total	<u>\$ 4,172,382</u>	<u>\$ 8,018,667</u>	<u>\$ 4,434,247</u>	<u>\$ 7,863,167</u>

The County's total legal debt margin was \$16,270,525 at December 31, 2015 and the unvoted legal debt margin was \$4,713,227. See Note 12 in the notes to the basic financial statements for detail on governmental activities and business-type activities long-term obligations.

Economic Factors and Next Year's Budget

The County's population as of the 2010 census was 42,366, and the population estimate for 2015 is 43,909. At the end of 2015, the seasonally adjusted unemployment rate for the County was 3.2%, compared to the 4.8% State average and the 5.0% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2016. Budgeted revenues and other financing sources in the general fund for 2016 were \$9,735,180. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

Contacting the County's Financial Management

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

HOLMES COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Lynn Hope Industries, Inc.	Holmes County Airport Authority	Regional Planning Commission
Assets:						
Equity in pooled cash and cash equivalents . . .	\$ 20,246,633	\$ 770,456	\$ 21,017,089	\$ -	\$ 158,192	\$ 104,328
Cash and cash equivalents						
in segregated accounts	423,260	5,816,265	6,239,525	296,758	-	-
Investments in segregated accounts	-	567,638	567,638	-	-	-
Receivables:						
Sales taxes	2,002,566	-	2,002,566	-	-	-
Real and other taxes	6,406,268	-	6,406,268	-	-	-
Accounts	213,838	4,785,404	4,999,242	32,743	335	500
Accrued interest	7,889	-	7,889	-	-	-
Due from other governments	3,512,343	-	3,512,343	-	-	-
Materials and supplies inventory	797,168	373,982	1,171,150	-	-	462
Prepayments	122,226	262,130	384,356	-	1,591	-
Other assets	-	60,900	60,900	-	-	-
Assets limited as to use	-	7,446,179	7,446,179	-	-	-
Net pension asset	25,360	49,505	74,865	-	-	304
Capital assets:						
Land and construction in progress	1,351,768	730,490	2,082,258	-	54,357	-
Depreciable capital assets, net	24,598,086	23,240,190	47,838,276	56,924	5,832,783	-
Total capital assets, net	25,949,854	23,970,680	49,920,534	56,924	5,887,140	-
Total assets	59,707,405	44,103,139	103,810,544	386,425	6,047,258	105,594
Deferred outflows of resources:						
Pension - OPERS	1,825,534	1,909,690	3,735,224	-	-	21,918
Pension - STRS	99,871	-	99,871	-	-	-
Total deferred outflows of resources	1,925,405	1,909,690	3,835,095	-	-	21,918
Total assets and deferred outflows of resources . .	61,632,810	46,012,829	107,645,639	386,425	6,047,258	127,512
Liabilities:						
Accounts payable	824,603	737,403	1,562,006	404	-	-
Retainage payable	-	-	-	-	189,449	-
Accrued wages and benefits payable	297,183	1,058,477	1,355,660	-	-	2,931
Compensated absences payable	-	-	-	-	-	14,060
Due to other governments	214,380	2,411	216,791	-	-	1,851
Other accrued expenses	-	578,646	578,646	-	-	-
Accrued interest payable	13,458	61,184	74,642	390	-	-
Unearned revenue	-	-	-	-	38,547	-
Long-term liabilities:						
Due within one year	1,105,256	379,566	1,484,822	13,608	-	-
Due in more than one year:						
Net pension liability	11,935,274	10,183,953	22,119,227	-	-	128,850
Other amounts due in more than one year . .	6,390,790	7,641,573	14,032,363	41,987	-	-
Total liabilities	20,780,944	20,643,213	41,424,157	56,389	227,996	147,692
Deferred inflows of resources:						
Property taxes levied for the next fiscal year . .	6,149,867	-	6,149,867	-	-	-
Pension - OPERS	247,801	194,369	442,170	-	-	2,976
Pension - STRS	280,730	-	280,730	-	-	-
Total deferred inflows of resources	6,678,398	194,369	6,872,767	-	-	2,976
Total liabilities and deferred inflows of resources.	27,459,342	20,837,582	48,296,924	56,389	227,996	150,668
Net position:						
Net investment in capital assets	24,150,558	15,954,126	40,104,684	-	5,706,121	-
Restricted for:						
Capital projects	2,016,350	-	2,016,350	-	-	-
Debt service	101,156	-	101,156	-	-	-
Public works projects	2,497,444	-	2,497,444	-	-	-
Public safety programs	1,027,431	-	1,027,431	-	-	-
Human services programs	4,361,893	-	4,361,893	-	-	-
Real estate assessment	771,950	-	771,950	-	-	-
Court special projects	152,119	-	152,119	-	-	-
Other purposes	314,696	567,728	882,424	-	-	-
Unrestricted (deficit)	(1,220,129)	8,653,393	7,433,264	330,036	113,141	(23,156)
Total net position (deficit)	\$ 34,173,468	\$ 25,175,247	\$ 59,348,715	\$ 330,036	\$ 5,819,262	\$ (23,156)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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>
Governmental activities:				
General government:				
Legislative and executive	\$ 5,465,618	\$ 2,934,953	\$ 370,095	\$ -
Judicial	2,060,862	423,337	77,695	-
Public safety	4,707,218	436,293	557,387	-
Public works	6,439,719	509,276	4,808,383	1,678,152
Health	353,851	195,390	1,646	-
Human services	12,872,508	2,055,862	6,450,587	2,000
Conservation and recreation	385,234	-	-	-
Interest and fiscal charges	168,301	119,916	-	-
Total governmental activities	<u>32,453,311</u>	<u>6,675,027</u>	<u>12,265,793</u>	<u>1,680,152</u>
Business-type activities:				
Sewer District	1,542,360	1,223,208	-	714,022
Joel Pomerene Memorial Hospital	34,237,146	32,801,948	-	-
Total business-type activities	<u>35,779,506</u>	<u>34,025,156</u>	<u>-</u>	<u>714,022</u>
Total primary government	<u>\$ 68,232,817</u>	<u>\$ 40,700,183</u>	<u>\$ 12,265,793</u>	<u>\$ 2,394,174</u>
Component Units:				
Lynn Hope Industries, Inc.	\$ 566,569	\$ 168,514	\$ 541,545	\$ -
Holmes County Airport Authority	293,230	75,096	-	1,135,723
Regional Planning Commission.	182,321	77,608	129,000	-
Total component units	<u>\$ 1,042,120</u>	<u>\$ 321,218</u>	<u>\$ 670,545</u>	<u>\$ 1,135,723</u>

General revenues:

Property taxes levied for:

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

Total general revenues.

Transfers

Total general revenues and transfers

Change in net position

Net position (deficit) at beginning of year (restated)

Net position (deficit) at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Lynn Hope Industries, Inc.	Holmes County Airport Authority	Regional Planning Commission
\$ (2,160,570)	\$ -	\$ (2,160,570)	\$ -	\$ -	\$ -
(1,559,830)	-	(1,559,830)	-	-	-
(3,713,538)	-	(3,713,538)	-	-	-
556,092	-	556,092	-	-	-
(156,815)	-	(156,815)	-	-	-
(4,364,059)	-	(4,364,059)	-	-	-
(385,234)	-	(385,234)	-	-	-
(48,385)	-	(48,385)	-	-	-
<u>(11,832,339)</u>	<u>-</u>	<u>(11,832,339)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	394,870	394,870	-	-	-
-	(1,435,198)	(1,435,198)	-	-	-
-	(1,040,328)	(1,040,328)	-	-	-
<u>(11,832,339)</u>	<u>(1,040,328)</u>	<u>(12,872,667)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	143,490	-	-
-	-	-	-	917,589	-
-	-	-	-	-	24,287
-	-	-	143,490	917,589	24,287
2,558,508	-	2,558,508	-	-	-
2,885,290	-	2,885,290	-	-	-
906,705	-	906,705	-	-	-
7,278,209	-	7,278,209	-	-	-
1,758,102	-	1,758,102	-	-	-
149,750	57,685	207,435	959	94	-
128,382	1,826,579	1,954,961	30,000	5,330	-
<u>15,664,946</u>	<u>1,884,264</u>	<u>17,549,210</u>	<u>30,959</u>	<u>5,424</u>	<u>-</u>
<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>15,564,946</u>	<u>1,984,264</u>	<u>17,549,210</u>	<u>30,959</u>	<u>5,424</u>	<u>-</u>
3,732,607	943,936	4,676,543	174,449	923,013	24,287
30,440,861	24,231,311	54,672,172	155,587	4,896,249	(47,443)
<u>\$ 34,173,468</u>	<u>\$ 25,175,247</u>	<u>\$ 59,348,715</u>	<u>\$ 330,036</u>	<u>\$ 5,819,262</u>	<u>\$ (23,156)</u>

HOLMES COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	County Board of DD	Motor Vehicle License and Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 7,367,626	\$ 1,857,480	\$ 1,036,637	\$ 9,984,890	\$ 20,246,633
Cash and cash equivalents in segregated accounts . . .	-	402,708	-	20,552	423,260
Receivables (net of allowance for uncollectibles):					
Sales taxes	1,873,266	-	-	129,300	2,002,566
Real and other taxes	2,516,687	3,027,402	-	862,179	6,406,268
Accounts	41,930	87,937	1,643	82,328	213,838
Accrued interest	7,889	-	-	-	7,889
Due from other funds	1,472	-	-	-	1,472
Due from other governments	618,786	143,994	2,093,647	655,916	3,512,343
Prepayments	98,404	6,659	1,365	15,798	122,226
Materials and supplies inventory	57,917	13,472	702,914	22,865	797,168
Total assets	\$ 12,583,977	\$ 5,539,652	\$ 3,836,206	\$ 11,773,828	\$ 33,733,663
Liabilities:					
Accounts payable	\$ 185,884	\$ 71,295	\$ 81,394	\$ 486,030	\$ 824,603
Accrued wages and benefits payable	118,465	62,482	30,431	85,805	297,183
Due to other funds	-	-	-	1,472	1,472
Due to other governments	76,296	40,380	23,254	74,450	214,380
Total liabilities	380,645	174,157	135,079	647,757	1,337,638
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	2,450,000	2,868,367	-	831,500	6,149,867
Delinquent property tax revenue not available	66,687	159,035	-	30,679	256,401
Sales tax revenue not available	1,243,834	-	-	86,201	1,330,035
Intergovernmental revenue not available	456,385	143,994	1,828,546	80,078	2,509,003
Other revenue not available	7	162	-	-	169
Total deferred inflows of resources	4,216,913	3,171,558	1,828,546	1,028,458	10,245,475
Fund balances:					
Nonspendable	226,332	20,131	704,279	38,663	989,405
Restricted	-	2,173,806	1,168,302	9,462,660	12,804,768
Committed	569,348	-	-	597,131	1,166,479
Assigned	4,674,224	-	-	-	4,674,224
Unassigned (deficit)	2,516,515	-	-	(841)	2,515,674
Total fund balances	7,986,419	2,193,937	1,872,581	10,097,613	22,150,550
Total liabilities, deferred inflows of resources and fund balances	\$ 12,583,977	\$ 5,539,652	\$ 3,836,206	\$ 11,773,828	\$ 33,733,663

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total governmental fund balances		\$ 22,150,550
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		25,949,854
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.		
Sales taxes receivable	\$ 1,330,035	
Real and other taxes receivable	256,401	
Intergovernmental receivable	2,509,003	
Accounts receivable	169	
Total	<u>4,095,608</u>	4,095,608
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(4,070,000)	
Landfill closure and postclosure care liability	(2,073,652)	
Capital lease payable	(102,382)	
Compensated absences payable	(1,164,596)	
Accrued interest payable	(13,458)	
Total	<u>(7,424,088)</u>	(7,424,088)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Net pension asset	25,360	
Deferred outflows of resources	1,925,405	
Deferred inflows of resources	(528,531)	
Net pension liability	(11,935,274)	
Total	<u>(10,513,040)</u>	(10,513,040)
Unamortized premiums on bond issuances are not recognized in the governmental funds.		<u>(85,416)</u>
Net position of governmental activities		<u>\$ 34,173,468</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General	County Board of DD	Motor Vehicle License and Gas Tax	Other Governmental Funds	Total Governmental Funds
Revenues:					
Sales taxes.	\$ 6,623,782	\$ -	\$ -	\$ 517,200	\$ 7,140,982
Real and other taxes.	2,557,920	2,883,876	-	906,438	6,348,234
Charges for services.	1,983,992	384,768	148,444	2,948,077	5,465,281
Licenses and permits	4,871	-	-	280,839	285,710
Fines and forfeitures	89,409	-	36,305	226,778	352,492
Intergovernmental.	1,385,047	2,350,505	6,315,409	5,468,578	15,519,539
Investment income.	149,757	840	518	1,626	152,741
Rental income	1,353	-	-	147,086	148,439
Contributions and donations.	-	1,996	91,645	5,282	98,923
Other	128,956	160,654	31,340	245,176	566,126
Total revenues	<u>12,925,087</u>	<u>5,782,639</u>	<u>6,623,661</u>	<u>10,747,080</u>	<u>36,078,467</u>
Expenditures:					
Current:					
General government:					
Legislative and executive	3,704,923	-	-	1,728,861	5,433,784
Judicial.	1,828,171	-	-	235,041	2,063,212
Public safety	3,854,704	-	-	845,219	4,699,923
Public works	-	-	6,155,815	162,979	6,318,794
Health	89,933	-	-	144,536	234,469
Human services.	524,761	5,366,368	-	6,820,247	12,711,376
Conservation and recreation	385,234	-	-	-	385,234
Capital outlay	11,004	-	-	779,379	790,383
Debt service:					
Principal retirement.	2,845	18,478	-	286,935	308,258
Interest and fiscal charges	482	3,570	-	168,903	172,955
Total expenditures	<u>10,402,057</u>	<u>5,388,416</u>	<u>6,155,815</u>	<u>11,172,100</u>	<u>33,118,388</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,523,030</u>	<u>394,223</u>	<u>467,846</u>	<u>(425,020)</u>	<u>2,960,079</u>
Other financing sources (uses):					
Sale of capital assets.	33,333	-	28,544	-	61,877
Capital lease transaction.	11,004	-	-	35,389	46,393
Transfers in	-	-	-	1,387,978	1,387,978
Transfers (out).	(701,934)	(300,000)	-	(486,044)	(1,487,978)
Total other financing sources (uses)	<u>(657,597)</u>	<u>(300,000)</u>	<u>28,544</u>	<u>937,323</u>	<u>8,270</u>
Net change in fund balances	1,865,433	94,223	496,390	512,303	2,968,349
Fund balances at beginning of year	6,120,986	2,099,714	1,376,191	9,585,310	19,182,201
Fund balances at end of year	<u>\$ 7,986,419</u>	<u>\$ 2,193,937</u>	<u>\$ 1,872,581</u>	<u>\$ 10,097,613</u>	<u>\$ 22,150,550</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Net change in fund balances - total governmental funds		\$ 2,968,349
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital asset additions	\$ 2,082,083	
Current year depreciation	<u>(1,782,810)</u>	
Total		299,273
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.		
		(988)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes	137,227	
Real and other taxes	2,269	
Intergovernmental revenues	82,601	
Investment income	(7)	
Other revenues	<u>(14,639)</u>	
Total		207,451
Issuances of capital leases are recorded as 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 position.		
		(46,393)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		308,258
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in decreased interest reported in the statement of activities:		
Decrease in accrued interest payable	481	
Amortization of bond premiums	<u>4,173</u>	
Total		4,654
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,287,755
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		
		(1,319,646)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences payable	(14,299)	
Landfill closure and postclosure care liability	<u>38,193</u>	
Total		<u>23,894</u>
Change in net position of governmental activities		\$ <u>3,732,607</u>

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 4,500,000	\$ 4,500,000	\$ 6,582,069	\$ 2,082,069
Real and other taxes	2,410,500	2,410,500	2,542,178	131,678
Charges for services	1,091,340	1,233,813	1,388,132	154,319
Licenses and permits	3,990	3,990	52,871	48,881
Fines and forfeitures	88,500	88,500	89,725	1,225
Intergovernmental	1,492,402	1,975,519	1,393,208	(582,311)
Investment income	120,000	120,000	146,872	26,872
Rental income	550	550	1,383	833
Other	77,000	77,000	142,444	65,444
Total revenues	<u>9,784,282</u>	<u>10,409,872</u>	<u>12,338,882</u>	<u>1,929,010</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	6,564,624	6,489,223	4,960,466	1,528,757
Judicial	1,527,933	1,546,489	1,474,167	72,322
Public safety	2,664,848	2,855,333	2,826,173	29,160
Health	93,000	93,000	89,933	3,067
Human services	437,345	437,345	305,434	131,911
Conservation and recreation	340,468	385,468	385,234	234
Total expenditures	<u>11,628,218</u>	<u>11,806,858</u>	<u>10,041,407</u>	<u>1,765,451</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,843,936)</u>	<u>(1,396,986)</u>	<u>2,297,475</u>	<u>3,694,461</u>
Other financing sources (uses):				
Sale of capital assets	1,000	26,000	33,333	7,333
Transfers (out)	<u>(722,990)</u>	<u>(811,323)</u>	<u>(809,323)</u>	<u>2,000</u>
Total other financing sources (uses)	<u>(721,990)</u>	<u>(785,323)</u>	<u>(775,990)</u>	<u>9,333</u>
Net change in fund balances	(2,565,926)	(2,182,309)	1,521,485	3,703,794
Fund balances at beginning of year	4,786,381	4,786,381	4,786,381	-
Prior year encumbrances appropriated	6,057	6,057	6,057	-
Fund balance at end of year	<u>\$ 2,226,512</u>	<u>\$ 2,610,129</u>	<u>\$ 6,313,923</u>	<u>\$ 3,703,794</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real and other taxes.	\$ 2,823,014	\$ 2,823,014	\$ 2,846,094	\$ 23,080
Charges for services.	312,500	312,500	316,604	4,104
Intergovernmental.	2,323,999	2,323,999	2,350,506	26,507
Investment income.	600	600	840	240
Contributions and donations.	500	500	1,996	1,496
Other	150,900	150,900	159,507	8,607
Total revenues	<u>5,611,513</u>	<u>5,611,513</u>	<u>5,675,547</u>	<u>64,034</u>
Expenditures:				
Current:				
Human services.	6,370,385	6,398,235	5,601,550	796,685
Total expenditures	<u>6,370,385</u>	<u>6,398,235</u>	<u>5,601,550</u>	<u>796,685</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(758,872)</u>	<u>(786,722)</u>	<u>73,997</u>	<u>860,719</u>
Other financing uses:				
Transfers (out)	<u>(766,640)</u>	<u>(766,640)</u>	<u>(279,270)</u>	<u>487,370</u>
Total other financing uses	<u>(766,640)</u>	<u>(766,640)</u>	<u>(279,270)</u>	<u>487,370</u>
Net change in fund balances.	(1,525,512)	(1,553,362)	(205,273)	1,348,089
Fund balances at beginning of year	1,906,124	1,906,124	1,906,124	-
Fund balance at end of year	<u>\$ 380,612</u>	<u>\$ 352,762</u>	<u>\$ 1,700,851</u>	<u>\$ 1,348,089</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 190,000	\$ 190,000	\$ 148,443	\$ (41,557)
Fines and forfeitures	25,000	25,000	36,676	11,676
Intergovernmental.	4,044,000	5,628,871	5,841,354	212,483
Investment income.	2,000	2,000	518	(1,482)
Contributions and donations.	87,000	87,000	91,645	4,645
Other	26,000	26,000	31,340	5,340
Total revenues	4,374,000	5,958,871	6,149,976	191,105
Expenditures:				
Current:				
Public works	4,684,000	6,268,871	5,980,631	288,240
Total expenditures	4,684,000	6,268,871	5,980,631	288,240
Excess of expenditures over revenues.	(310,000)	(310,000)	169,345	479,345
Other financing sources:				
Sale of capital assets.	10,000	10,000	28,544	18,544
Total other financing sources	10,000	10,000	28,544	18,544
Net change in fund balances	(300,000)	(300,000)	197,889	497,889
Fund balances at beginning of year	838,748	838,748	838,748	-
Fund balance at end of year	\$ 538,748	\$ 538,748	\$ 1,036,637	\$ 497,889

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Joel Pomerene		Total
	Sewer District	Memorial Hospital	
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 770,456	\$ -	\$ 770,456
Cash and cash equivalents in segregated accounts	-	5,816,265	5,816,265
Investments in segregated accounts	-	567,638	567,638
Receivables (net of allowance for uncollectibles):			
Accounts	92,690	4,692,714	4,785,404
Materials and supplies inventory	134	373,848	373,982
Prepayments	-	262,130	262,130
Total current assets	863,280	11,712,595	12,575,875
Noncurrent assets:			
Other assets	-	60,900	60,900
Net pension asset	172	49,333	49,505
Assets limited as to use	-	7,446,179	7,446,179
Capital assets:			
Land and construction in progress	98,503	631,987	730,490
Depreciable capital assets, net	11,930,824	11,309,366	23,240,190
Total capital assets, net	12,029,327	11,941,353	23,970,680
Total noncurrent assets	12,029,499	19,497,765	31,527,264
Total assets	12,892,779	31,210,360	44,103,139
Deferred outflows of resources:			
Pension - OPERS	12,396	1,897,294	1,909,690
Liabilities:			
Current liabilities:			
Accounts payable	29,834	707,569	737,403
Accrued wages and benefits payable	1,686	1,056,791	1,058,477
Other accrued expenses	-	578,646	578,646
Due to other governments	2,411	-	2,411
Accrued interest payable	61,184	-	61,184
Current portion of compensated absences payable	4,067	-	4,067
Current portion of notes payable	-	141,000	141,000
Current portion of general obligation bonds payable	75,000	-	75,000
Current portion of OPWC loans payable	79,149	-	79,149
Current portion of USDA loans payable	39,000	-	39,000
Current portion of capital lease obligation	-	41,350	41,350
Total current liabilities	292,331	2,525,356	2,817,687
Long-term liabilities:			
Compensated absences payable	518	-	518
Notes payable	-	1,280,000	1,280,000
General obligation bonds payable	2,032,887	-	2,032,887
OPWC loans payable	1,795,168	-	1,795,168
USDA loans payable	2,408,000	-	2,408,000
Capital lease obligation	-	125,000	125,000
Net pension liability	72,877	10,111,076	10,183,953
Total long-term liabilities	6,309,450	11,516,076	17,825,526
Total liabilities	6,601,781	14,041,432	20,643,213
Deferred inflows of resources:			
Pension - OPERS	1,683	192,686	194,369
Net position:			
Net investment in capital assets	5,600,123	10,354,003	15,954,126
Restricted by donor for specific uses	-	567,728	567,728
Unrestricted	701,588	7,951,805	8,653,393
Total net position	\$ 6,301,711	\$ 18,873,536	\$ 25,175,247

HOLMES COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer District</u>	<u>Joel Pomerene Memorial Hospital</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 1,223,208	\$ 32,801,948	\$ 34,025,156
Other operating revenues	1,170	1,825,409	1,826,579
Total operating revenues.	<u>1,224,378</u>	<u>34,627,357</u>	<u>35,851,735</u>
Operating expenses:			
Personal services	89,784	17,538,256	17,628,040
Contract services	749,512	-	749,512
Materials and supplies.	54,545	8,406,985	8,461,530
Depreciation.	398,797	1,362,953	1,761,750
Medical professional fees	-	6,874,831	6,874,831
Other	50	54,121	54,171
Total operating expenses.	<u>1,292,688</u>	<u>34,237,146</u>	<u>35,529,834</u>
Operating income (loss)	<u>(68,310)</u>	<u>390,211</u>	<u>321,901</u>
Nonoperating revenues (expenses):			
Interest revenue	-	57,685	57,685
Interest and fiscal charges	<u>(249,672)</u>	<u>-</u>	<u>(249,672)</u>
Total nonoperating revenues (expenses)	<u>(249,672)</u>	<u>57,685</u>	<u>(191,987)</u>
Income (loss) before contributions and transfers	<u>(317,982)</u>	<u>447,896</u>	<u>129,914</u>
Transfer in	100,000	-	100,000
Capital contributions.	<u>714,022</u>	<u>-</u>	<u>714,022</u>
Change in net position	496,040	447,896	943,936
Net position at beginning of year (restated)	<u>5,805,671</u>	<u>18,425,640</u>	<u>24,231,311</u>
Net position at end of year	<u>\$ 6,301,711</u>	<u>\$ 18,873,536</u>	<u>\$ 25,175,247</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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HOLMES COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Sewer District	Joel Pomerene Memorial Hospital	Total
Cash flows from operating activities:			
Cash received from sales/charges for services	\$ 1,209,678	\$ 32,812,790	\$ 34,022,468
Cash received from other operations	1,170	1,825,409	1,826,579
Cash payments for personal services	(92,495)	(18,095,949)	(18,188,444)
Cash payments for contractual services	(775,710)	-	(775,710)
Cash payments for materials and supplies	(52,580)	(15,195,436)	(15,248,016)
Cash payments for other expenses	(50)	-	(50)
Net cash provided by operating activities	290,013	1,346,814	1,636,827
Cash flows from noncapital financing activities:			
Cash received from transfers in	100,000	-	100,000
Net cash provided by noncapital financing activities	100,000	-	100,000
Cash flows from capital and related financing activities:			
Capital contributions	714,022	-	714,022
Acquisition of capital assets	(1,239,225)	(942,599)	(2,181,824)
Cash received from loans	527,284	-	527,284
Principal payments on capital lease obligations	-	(47,420)	(47,420)
Principal payments on bonds, notes and loans	(183,364)	(141,000)	(324,364)
Interest payments on bonds, notes and loans	(249,639)	-	(249,639)
Net cash used in capital and related financing activities	(430,922)	(1,131,019)	(1,561,941)
Cash flows from investing activities:			
Cash received from interest	-	38,487	38,487
Change in fair value of investments	-	19,198	19,198
Cash received from sale of investments	-	75,526	75,526
Net cash provided by investing activities	-	133,211	133,211
Net increase (decrease) in cash and cash equivalents	(40,909)	349,006	308,097
Cash and cash equivalents at beginning of year (restated)	811,365	10,612,383	11,423,748
Cash and cash equivalents at end of year	\$ 770,456	\$ 10,961,389	\$ 11,731,845
Cash and cash equivalents include the following:			
Cash and cash equivalents	\$ 770,456	\$ 5,816,265	\$ 6,586,721
Investment cash and cash equivalents	-	567,638	567,638
Assets limited as to use cash and cash equivalents:			
Board designated for future capital improvements	-	4,577,486	4,577,486
Total cash and cash equivalents	\$ 770,456	\$ 10,961,389	\$ 11,731,845

HOLMES COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Sewer District	Joel Pomerene Memorial Hospital	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (68,310)	\$ 390,211	\$ 321,901
Adjustments:			
Depreciation	398,797	1,362,953	1,761,750
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	(13,530)	10,842	(2,688)
Decrease (Increase) in materials and supplies inventory	399	(37,212)	(36,813)
(Increase) in prepayments	-	(41,856)	(41,856)
(Increase) in net pension asset	(125)	(35,888)	(36,013)
(Increase) in deferred outflows of resources - pension	(3,802)	(607,745)	(611,547)
Increase (decrease) in accounts payable	(25,272)	344,463	319,191
(Decrease) in accrued wages and benefits	(2,400)	-	(2,400)
(Decrease) in other accrued expenses	-	(460,015)	(460,015)
Increase in due to other governments	311	-	311
Increase in compensated absences payable	616	-	616
Increase in net pension liability	1,646	228,375	230,021
Increase in deferred inflows of resources - pension	1,683	192,686	194,369
Net cash provided by operating activities	<u>\$ 290,013</u>	<u>\$ 1,346,814</u>	<u>\$ 1,636,827</u>

Non-cash transactions:

At December 31, 2014, the Sewer District fund acquired \$9,924, in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2015

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,296,628
Cash and cash equivalents in segregated accounts.	952,492
Receivables:	
Real and other taxes.	31,467,016
Accounts	321,140
Due from other governments	<u>1,476,515</u>
Total assets.	<u>\$ 38,513,791</u>
Liabilities:	
Accrued wages and benefits	\$ 4,381
Due to other governments	757,571
Undistributed monies.	<u>37,751,839</u>
Total liabilities	<u>\$ 38,513,791</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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

DISCRETELY PRESENTED COMPONENT UNITS

Holmes County Regional Planning Commission (Commission)

The Commission is governed by an eleven member Board, of which seven are appointed by the County. The County provides ongoing financial support to the Commission resulting in the Commission imposing a financial burden on the County; therefore, the Commission has been included as a component unit of the County. Separate financial statements can be obtained from the Commission, 2 Court St. Suite 21, Millersburg, Ohio 44654.

Holmes County Airport Authority (Airport Authority)

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

Lynn Hope Industries, Inc. (Workshop)

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

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component units is identified in Notes 25, 26 and 27.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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

JOINT VENTURE WITHOUT EQUITY INTEREST

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

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

JOINTLY GOVERNED ORGANIZATIONS

Holmes County Family and Children First Council (Council)

The mission of the Council is to promote and facilitate collaboration among community agencies serving children and their families and to unite the community in promoting the well-being of children and their families through leadership advocacy, and coordination of services. The Board of Trustees is made up of 18 individuals from various organizations including 5 from the County. The County paid \$5,000 to the Council during 2015.

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 2015, the County paid \$72,096 to MEORC for services provided.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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 2015 was \$166,364.

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

County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

RELATED ORGANIZATIONS

Holmes County Public Library (Library)

The Library provides services aimed at enriching the lives of the citizens of the County through an informed and connected community. The County appoints the governing board of the Library; however, the County cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden on the County. The County serves in a ministerial capacity as taxing authority for the Library. Once the Library Board determines to present a levy to the voters, including the determination of its rate and duration, the County must place the levy on the ballot. The Library determines its own budget. The Library received \$25,000 from the County in 2015 for bookmobile support.

Holmes County Park District (District)

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

Northeast Ohio Outreach Network (Network)

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

B. Fund Accounting

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

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

The following are the County's major governmental funds:

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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

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

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

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

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

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

D. Basis of Accounting

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

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

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, 2015

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources have been reported for the following items related to the County's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the County's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County unavailable revenue includes, but is not limited to, delinquent property taxes, sales taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The County also reports deferred inflow of resources for the following items related to the County's net pension liability: (1) differences between expected and actual experience and (2) differences between employer's contributions and the employer's proportional share of contributions. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

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.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

E. Budgetary Data

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

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

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

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the original and final amended certificates issued during 2015.

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 2015 are included in the final budget amounts in the budget-to-actual comparisons.

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

F. Cash, Cash Equivalents and Investments

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

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

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

During 2015, investments were limited to certificates of deposit, mutual funds, U.S. government obligations and common stock. The investments in mutual funds and common stock are reported at fair value. The common stock is not traded on a quoted market; therefore, the year end fair value is determined as the average of the high and low sales price for the last quarter of 2015. For the money market mutual fund, fair value is determined by the fund's shares price at December 31, 2015. 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 2015 amounted to \$149,757 which includes \$109,301 assigned from other County funds.

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

G. Patient Accounts Receivable and Revenue

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

In 2015, approximately 33 percent of the Hospital's total patient revenue was derived from Medicare payments while approximately 17 percent was derived from Medicaid payments. Additionally, approximately 24 percent of the Hospital's total patient revenue was derived from individual self-payments in 2015. The remaining revenue was derived primarily from commercial insurance payments.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

H. Inventories of Materials and Supplies

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

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

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

I. Capital Assets

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

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

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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 2015, 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.

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, 2015, 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, 2015, 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.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

K. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepayments using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

L. Accrued Liabilities and Long-term Obligations

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

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

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 2012 and Medicaid through 2008.

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.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

P. Fund Balance

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

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

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

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

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

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

Q. Charity Care

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

R. Estimates

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

S. Net Position

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

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

T. Unamortized Bond Premiums and Discounts

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

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County Commissioners and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2015.

V. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For 2015, the County implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the County's pension plan disclosures, as presented in Note 15 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. The net position of the governmental activities and business-type activities at January 1, 2015 have been restated as follows:

	Governmental Activities	Business-Type Activities
Net position as previously reported	\$ 40,922,010	\$ 32,873,608
Net pension assets	6,911	13,492
Deferred outflows - OPERS:		
Payments subsequent to measurement date	1,265,592	1,298,143
Deferred outflows - STRS:		
Payments subsequent to measurement date	32,182	-
Difference between expected and actual experience	10,615	-
Net pension liability	(11,592,457)	(9,953,932)
Deferred inflows - STRS:		
Difference between projected and actual earnings on pension plan investments	(203,992)	-
Restated net position at January 1, 2015	\$ 30,440,861	\$ 24,231,311

In addition, the net position of the enterprise funds at January 1, 2015 have been restated as follows:

	Sewer Fund	Joel Pomerene Memorial Hospital Fund
Net position as previously reported	\$ 5,868,261	\$ 27,005,347
Net pension asset	47	13,445
Deferred outflows - OPERS:		
Payments subsequent to measurement date	8,594	1,289,549
Net pension liability	(71,231)	(9,882,701)
Restated net position at January 1, 2015	\$ 5,805,671	\$ 18,425,640

Other than employer contributions subsequent to the measurement date, the County made no restatement for deferred inflows/outflows of resources for OPERS as the information needed to generate these restatements was not available. The restatement had no effect on governmental fund balances.

B. Deficit Fund Balance

The pre-disaster mitigation program nonmajor governmental fund had a deficit fund balance of \$841 at December 31, 2015. The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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, 2015

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 \$3,900 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 \$109,887 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, 2015, the carrying amount of all County deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$39,586,787. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, \$34,308,817 of the County's bank balance of \$40,242,378 was exposed to custodial risk as discussed below, while \$5,933,561 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, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

The County had the following investments and maturities, all of which are held by the Hospital. This table also shows the percentage of each investment type held at December 31, 2015:

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	\$ 210,112	N/A-3	N/A-3	22.76%
N/A-1	N/A-1	N/A-1	Killbuck Savings Bank common stock	179,820	N/A-3	N/A-3	19.48%
N/A-1	N/A-1	N/A-1	Newell-Rubbermaid common stock	6,259	N/A-3	N/A-3	0.68%
N/A-2	N/A-2	N/A-2	U.S. Treasury bonds	230,083	65,180	164,903	24.92%
		3 star rating	Federated mutual funds - equity	16,567	N/A-3	N/A-3	1.79%
		3 star rating	Fidelity mutual funds - equity	29,354	N/A-3	N/A-3	3.18%
		3 star rating	T. Rowe Price mutual funds - equity	105,854	N/A-3	N/A-3	11.46%
		3 star rating	Vanguard mutual funds - equity	145,256	N/A-3	N/A-3	15.73%
			Total	<u>\$ 923,305</u>	<u>\$ 65,180</u>	<u>\$ 164,903</u>	<u>100.00%</u>

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

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

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

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

Credit Risk: State law limits investments in commercial paper and corporate bonds to the top two ratings issued by the nationally recognized statistical rating organizations (NRSROs). It is the County's policy to limit its investments in these investment types to the top two ratings issued by NRSROs. The County had no investments on their books as of December 31, 2015. The above investments and related credit risks are those of the Hospital.

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

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 39,586,787
Investments	923,305
Unrecorded cash	3,900
Cash on hand	109,887
Total	<u>\$ 40,623,879</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 20,669,893
Business-type activities	14,600,538
Component unit*	104,328
Agency	5,249,120
Total	<u>\$ 40,623,879</u>

*Cash and cash equivalents of the Holmes County Regional Planning Commission are pooled and invested by the County (See Note 25 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 26 and 27, 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, 2015, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	
Sewer district fund	\$ 100,000
Nonmajor governmental funds	601,934
 <u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	486,044
 <u>Transfer from County Board of DD fund to:</u>	
Nonmajor governmental funds	<u>300,000</u>
Total	<u>\$ 1,487,978</u>

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The Board of DD transferred \$300,000 to the Board of DD capital projects fund (a nonmajor governmental fund) for the purpose of funding capital improvements. Transfers between nonmajor governmental funds included \$103,314 and \$187,538 from the public assistance fund to the child support enforcement fund and children's services fund, respectively, for the purpose of funding required local contributions, \$164,887 from the solid waste district fund to the landfill closure debt service fund to provide resources for a required debt payment, and \$30,305 from the Ohio courts network fund to general special projects-common pleas fund for court technology improvements financed through the Ohio Courts Technology Initiative.

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

- B. Due to/from other funds at December 31, 2015, as reported on the fund financial statements, consisted of \$1,472 due from the victim's advocacy nonmajor governmental fund to the general fund. This due to/from other funds represents amounts owed between funds to cover negative cash balances. Amounts due to/from other funds between governmental funds are eliminated for reporting on the statement of net position.

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Auditor collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2015 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue.

The full tax rate for all County operations for the year ended December 31, 2015 was \$12.70 per \$1,000 of assessed value. The total assessed value of real property upon which 2015 property tax receipts were based was \$870,486,530.

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 7 - RECEIVABLES

Receivables at December 31, 2015, consisted of taxes, interest, accounts (billings for user charged services and other fees), interfund receivables, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the balance sheet and statement of net position and all interfund receivables have been classified as "due to/from other funds" on the balance sheet and statement of net position. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A. Permissive Sales and Use Tax

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

Amounts that have been collected by the State and that are to be received within the available period are accrued as revenue on the fund financial statements. Each month, the sales tax revenue is allocated to County funds in accordance with the yearly Resolution adopted by the Commissioner. During 2015, sales tax revenue was allocated to the general fund and the following nonmajor governmental funds: the 911 fund, the solid waste district fund, the capital improvements fund and the general obligation debt service fund. Sales tax revenue for 2015 amounted to \$7,140,982 as reported on the fund financial statements.

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HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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	\$ 152,325
Local government	225,000
Casino taxes	227,140
Other	14,321
Total	<u>618,786</u>
<u>County Board of DD</u>	
Homestead and rollback	<u>143,994</u>
Total	<u>143,994</u>
<u>Motor vehicle license and gas tax</u>	
Gasoline excise and motor vehicle license tax	2,081,097
Grants	<u>12,550</u>
Total	<u>2,093,647</u>
<u>Nonmajor governmental funds</u>	
Public assistance	376,491
Child support enforcement	156,470
911 wireless project	
State victims assistance grants	5,717
County home	49,988
Office of criminal justice	2,525
Children services	<u>64,725</u>
Total	<u>655,916</u>
Total governmental funds	<u>\$ 3,512,343</u>
<u>Agency funds</u>	
County public library	\$ 571,735
Gasoline and license tax	747,749
Undivided local government	150,000
Park district	<u>7,031</u>
Total agency funds	<u>\$ 1,476,515</u>

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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	\$ 92,690	\$ -	\$ -	\$ 92,690
Joel Pomerene Hospital	<u>8,193,499</u>	<u>(2,259,841)</u>	<u>(1,240,944)</u>	<u>4,692,714</u>
Total enterprise funds	<u>\$ 8,286,189</u>	<u>\$ (2,259,841)</u>	<u>\$ (1,240,944)</u>	<u>\$ 4,785,404</u>

NOTE 8 - NET CHARGE FOR SERVICE REVENUE

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

	<u>Sewer District</u>	<u>Joel Pomerene Hospital</u>	<u>Charges for Services Total</u>
Gross charges for service revenue	\$ 1,223,208	\$ 63,503,890	\$ 64,727,098
Revenue deductions:			
Provision for contractual allowances	-	(29,731,889)	(29,731,889)
Bad debts	<u>-</u>	<u>(970,053)</u>	<u>(970,053)</u>
Net charges for services revenue	<u>\$ 1,223,208</u>	<u>\$ 32,801,948</u>	<u>\$ 34,025,156</u>

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

<u>Governmental activities:</u>	Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,037,408	\$ -	\$ -	\$ 1,037,408
Construction in progress	<u>280,504</u>	<u>396,625</u>	<u>(362,769)</u>	<u>314,360</u>
Total capital assets, not being depreciated	<u>1,317,912</u>	<u>396,625</u>	<u>(362,769)</u>	<u>1,351,768</u>
<i>Capital assets, being depreciated:</i>				
Buildings	17,855,681	36,704	-	17,892,385
Improvements other than buildings	185,780	-	-	185,780
Machinery and equipment	4,929,531	76,073	(21,804)	4,983,800
Vehicles	5,125,026	832,611	(113,027)	5,844,610
Infrastructure	<u>29,430,451</u>	<u>1,102,839</u>	<u>-</u>	<u>30,533,290</u>
Total capital assets, being depreciated	<u>57,526,469</u>	<u>2,048,227</u>	<u>(134,831)</u>	<u>59,439,865</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(11,221,139)	(439,885)	-	(11,661,024)
Improvements other than buildings	(103,002)	(5,843)	-	(108,845)
Machinery and equipment	(3,336,859)	(213,333)	20,816	(3,529,376)
Vehicles	(3,303,960)	(391,642)	113,027	(3,582,575)
Infrastructure	<u>(15,227,852)</u>	<u>(732,107)</u>	<u>-</u>	<u>(15,959,959)</u>
Total accumulated depreciation	<u>(33,192,812)</u>	<u>(1,782,810)</u>	<u>133,843</u>	<u>(34,841,779)</u>
Total capital assets, being depreciated net	<u>24,333,657</u>	<u>265,417</u>	<u>(988)</u>	<u>24,598,086</u>
Governmental activities capital assets, net	<u>\$ 25,651,569</u>	<u>\$ 662,042</u>	<u>\$ (363,757)</u>	<u>\$ 25,949,854</u>

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

<u>Governmental activities:</u>	
Legislative and executive	\$ 115,214
Judicial	31,508
Public safety	229,171
Public works	1,015,014
Health	2,619
Human services	<u>389,284</u>
Total depreciation expense - governmental activities	<u>\$ 1,782,810</u>

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - CAPITAL ASSETS - (Continued)

	Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015
<u>Business-type activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 730,490	\$ -	\$ -	\$ 730,490
Total capital assets, not being depreciated	<u>730,490</u>	<u>-</u>	<u>-</u>	<u>730,490</u>
<i>Capital assets, being depreciated:</i>				
Land improvement	805,961	-	-	805,961
Buildings and improvements	8,972,933	-	-	8,972,933
Equipment and machinery	971,132	12,165	-	983,297
Sewer/water lines	5,892,545	1,217,136	-	7,109,681
Building and fixed equipment	18,872,653	166,096	-	19,038,749
Moveable equipment	14,480,907	787,360	(93,843)	15,174,424
Sub-specialty medical clinic	214,198	-	-	214,198
Modular medical office building	560,323	-	-	560,323
OB/GYN clinic moveable equipment	17,000	-	-	17,000
Total capital assets, being depreciated	<u>50,787,652</u>	<u>2,182,757</u>	<u>(93,843)</u>	<u>52,876,566</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(724,284)	(24,981)	-	(749,265)
Buildings and improvements	(1,705,411)	(225,182)	-	(1,930,593)
Equipment and machinery	(607,122)	(30,696)	-	(637,818)
Sewer/water lines	(2,423,757)	(142,919)	-	(2,566,676)
Building and fixed equipment	(10,498,983)	(549,943)	-	(11,048,926)
Moveable inventory	(11,386,965)	(787,976)	82,986	(12,091,955)
Sub-specialty medical clinic	(144,200)	-	-	(144,200)
Modular medical office building	(449,890)	(53)	-	(449,943)
OB/GYN clinic moveable equipment	(17,000)	-	-	(17,000)
Total accumulated depreciation	<u>(27,957,612)</u>	<u>(1,761,750)</u>	<u>82,986</u>	<u>(29,636,376)</u>
Total capital assets, being depreciated net	<u>22,830,040</u>	<u>421,007</u>	<u>(10,857)</u>	<u>23,240,190</u>
Business-type activities capital assets, net	<u>\$ 23,560,530</u>	<u>\$ 421,007</u>	<u>\$ (10,857)</u>	<u>\$ 23,970,680</u>

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

<u>Business-type activities:</u>	
Sewer district	\$ 398,797
Joel Pomerene Memorial Hospital	<u>1,362,953</u>
Total depreciation expense - business-type activities	<u>\$ 1,761,750</u>

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

A. Governmental Activities

During 2015, the County entered into capital lease agreement for copier equipment. In a prior year the County entered into an additional capital lease agreement for copier equipment. Capital assets consisting of equipment have been capitalized in the amount of \$152,267. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2015 was \$38,430, leaving a current book value of \$113,837. A corresponding liability was recorded in the statement of net position. Principal payments in 2015 totaled \$28,258 paid by the County from the general fund, county board of DD fund, real estate assessment fund and delinquent real estate assessment fund.

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

<u>Year Ended</u>	<u>Payment</u>
2016	\$ 32,997
2017	32,996
2018	32,998
2019	10,255
2020	<u>2,506</u>
Total minimum lease payments	111,752
Less: Amounts representing interest	<u>(9,370)</u>
Present value of minimum lease payments	<u>\$ 102,382</u>

B. Business-Type Activities

The Hospital has entered into various non-cancelable lease agreements for equipment. These capital leases are due in monthly installments including interest at rates ranging from 0 to 7.9 percent. They expire at various times through 2020 and are collateralized by the equipment leased. Capital assets consisting of equipment have been capitalized in the amount of \$622,949. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2015 was \$300,145, leaving a current book value of \$322,804. A corresponding liability was recorded in the statement of net position. Principal payments in 2015 totaled \$47,420 paid by the Hospital.

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

<u>Year Ended</u>	<u>Hospital</u>
2016	\$ 41,650
2017	33,333
2018	33,333
2019	33,333
2020	<u>25,000</u>
Total minimum lease payments	166,649
Less: Amounts representing interest	<u>(299)</u>
Present value of minimum lease payments	<u>\$ 166,350</u>

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11 - OPERATING LEASES - LESSEE DISCLOSURE

The Hospital has entered into operating lease agreements for equipment which expired at various times through 2015. Equipment operating lease expense totaled \$506,654 in 2015.

Effective March 1, 2009, the Hospital signed a five-year lease agreement for office space from Family Properties, Ltd. The lease expired in February 2014. 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 \$30,046. Office lease expense totaled \$285,180 in 2015.

Effective October 8, 2014, the Hospital signed a ten-year lease agreement for a medical facility in Berlin, Ohio. The lease expires in 2024 with the option to terminate the lease in five years. Office lease expense was \$52,612 in 2015.

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, notes and loans outstanding:

	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>
<u>General obligation bonds:</u>			
2011 Landfill improvement	1.00-5.25%	2,600,000	12/1/2041
2011 Various purpose refunding	1.00-4.00%	2,770,000	12/1/2024
2012 Sewer system improvement refunding	1.10-4.25%	2,380,000	12/1/2036
2008 Note payable	0.00%	1,250,000	7/1/2018
2014 Note payable	0.00%	637,000	11/1/2021
USDA loan	3.25%	2,556,000	3/1/2050
<u>OPWC loans:</u>			
Sanitary sewer plant	0.00%	58,226	7/1/2022
Mt. Hope	0.00%	78,018	1/1/2021
Walnut Creek	0.00%	167,254	7/1/2026
Walnut Creek Upgrade	0.00%	1,000,000	1/1/2032
October Hills Phase I	0.00%	391,986	7/1/2042
October Hills Phase II	0.00%	527,284	7/1/2045

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Governmental Activities Long-Term Obligations

During 2015, the following activity occurred in the County's governmental long-term obligations:

	<u>Balance</u> <u>12/31/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2015</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
Series 2011 landfill improvement bonds	\$ 2,440,000	\$ -	\$ (55,000)	\$ 2,385,000	\$ 55,000
Series 2011 various purpose refunding bonds	<u>1,910,000</u>	<u>-</u>	<u>(225,000)</u>	<u>1,685,000</u>	<u>230,000</u>
Total general obligation bonds	<u>\$ 4,350,000</u>	<u>\$ -</u>	<u>\$ (280,000)</u>	<u>\$ 4,070,000</u>	<u>\$ 285,000</u>
<u>Other long-term obligations:</u>					
Landfill closure and postclosure care liability	\$ 2,111,845	\$ -	\$ (38,193)	\$ 2,073,652	\$ 45,000
Capital lease obligation	84,247	46,393	(28,258)	102,382	28,526
Net pension liability	11,592,457	342,817	-	11,935,274	-
Compensated absences	<u>1,163,020</u>	<u>758,580</u>	<u>(757,004)</u>	<u>1,164,596</u>	<u>746,730</u>
Total other long-term obligations	<u>\$14,951,569</u>	<u>\$ 1,147,790</u>	<u>\$ (823,455)</u>	<u>\$15,275,904</u>	<u>\$ 820,256</u>
Total governmental activities long-term obligations	<u>\$19,301,569</u>	<u>\$ 1,147,790</u>	<u>\$ (1,103,455)</u>	<u>\$19,345,904</u>	<u>\$ 1,105,256</u>
Add: unamortized premium on bonds				85,416	
Total on the statement of net position				<u>\$19,431,320</u>	

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

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

Net Pension Liability: See Note 15 for detail.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 285,000	\$ 161,499	\$ 446,499
2017	295,000	155,634	450,634
2018	300,000	148,849	448,849
2019	310,000	140,868	450,868
2020	195,000	129,069	324,069
2021 - 2025	925,000	539,637	1,464,637
2026 - 2030	410,000	408,813	818,813
2031 - 2035	525,000	296,312	821,312
2036 - 2040	670,000	149,850	819,850
2041	<u>155,000</u>	<u>8,138</u>	<u>163,138</u>
Total	<u>\$ 4,070,000</u>	<u>\$ 2,138,669</u>	<u>\$ 6,208,669</u>

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

C. Business-Type Activities Long-term Obligations

During 2015, the following activity occurred in the County's business-type activities long-term obligations:

	Balance <u>12/31/2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2015</u>	Amounts Due in <u>One Year</u>
<u>General obligation bonds:</u>					
Sewer system improvement refunding	\$ 2,185,000	\$ -	\$ (75,000)	\$ 2,110,000	\$ 75,000
<u>OPWC loans:</u>					
Sanitary sewer plant	21,835	-	(2,912)	18,923	2,911
Mt. Hope	23,406	-	(3,901)	19,505	3,901
Walnut Creek	96,169	-	(8,363)	87,806	8,362
Walnut Creek Upgrade	916,667	-	(33,334)	883,333	33,333
October Hills Phase I	359,320	-	(13,066)	346,254	13,066
October Hills Phase II	-	527,284	(8,788)	518,496	17,576
Total OPWC loans	<u>1,417,397</u>	<u>527,284</u>	<u>(70,364)</u>	<u>1,874,317</u>	<u>79,149</u>
<u>Other long-term obligations:</u>					
USDA loan	2,485,000	-	(38,000)	2,447,000	39,000
Note payable	1,562,000	-	(141,000)	1,421,000	141,000
Capital leases-equipment	213,770	-	(47,420)	166,350	41,350
Net pension liability	9,953,932	230,021	-	10,183,953	-
Compensated absences	3,969	4,067	(3,451)	4,585	4,067
Total other long-term obligations	<u>14,218,671</u>	<u>234,088</u>	<u>(229,871)</u>	<u>14,222,888</u>	<u>225,417</u>
Total business-type activities long-term obligations	<u>\$ 17,821,068</u>	<u>\$ 761,372</u>	<u>\$ (375,235)</u>	18,207,205	<u>\$ 379,566</u>
Less: unamortized discount on bonds				(2,113)	
Total on the statement of net position				<u>\$ 18,205,092</u>	

General Obligation Refunding Bonds: On September 11, 2012, the County issued \$2,380,000 in sewer system improvement refunding bonds to currently refund the callable portion of the 1997 sewer system improvement bonds (principal \$2,271,500). The refunded debt is considered defeased (in substance) and accordingly, has been removed from the statement of net position. The amount of defeased debt outstanding at December 31, 2015 was \$2,110,500. The refunding bond issue is comprised of term bonds with interest rates ranging from 1.10% to 4.25%. Principal and interest payments are made from the sewer district fund.

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

USDA Loan: The County entered into an agreement with the United States Department of Agriculture (USDA) for a loan in the amount of \$2,556,000 and a grant in the amount of \$2,007,000, for the purpose of improving and expanding the Walnut Creek Wastewater Treatment Plant. The County must draw on the loan before they can receive any portion of the grant. The loan bears an interest rate of 3.25%. The loan will be repaid from the sewer district fund.

Note Payable: The Hospital has obtained a \$1,250,000, unsecured, interest-free, loan from Aultman Health Foundation (Aultman), with monthly payments of \$4,167 through July 2033. Aultman has the option to call the loan in July 2018. A corresponding liability was recorded in the statement of net position. Principal payments in 2015 totaled \$141,000 paid by the Hospital.

In 2014, the Hospital obtained a \$637,000, unsecured interest-free, loan from Aultman, with equal quarterly principal only payments of \$22,750 through November, 2021.

A corresponding liability was recorded in the statement of net position.

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, 2015.

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

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

Year Ended	General obligation bonds			OPWC	Note
	Principal	Interest	Total	Loans	Loans
	Principal	Interest	Total	Principal	Principal
2016	\$ 75,000	\$ 64,053	\$ 139,053	\$ 79,149	\$ 141,000
2017	75,000	62,653	137,653	79,150	141,000
2018	80,000	61,253	141,253	79,152	866,000
2019	80,000	59,853	139,853	79,150	91,000
2020	80,000	58,253	138,253	79,150	91,000
2021 - 2025	445,000	261,789	706,789	366,059	91,000
2026 - 2030	520,000	194,515	714,515	324,060	-
2031 - 2035	620,000	103,903	723,903	319,878	-
2036 - 2040	135,000	5,738	140,738	319,878	-
2041 - 2045	-	-	-	148,691	-
Total	<u>\$ 2,110,000</u>	<u>\$ 872,010</u>	<u>\$ 2,982,010</u>	<u>\$ 1,874,317</u>	<u>\$ 1,421,000</u>

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Year Ended	USDA loan		
	Principal	Interest	Total
2016	\$ 39,000	\$ 79,622	\$ 118,622
2017	40,000	78,325	118,325
2018	41,000	77,058	118,058
2019	42,000	75,790	117,790
2020	43,000	74,548	117,548
2021 - 2025	242,000	350,144	592,144
2026 - 2030	284,000	307,889	591,889
2031 - 2035	333,000	258,808	591,808
2036 - 2040	391,000	201,075	592,075
2041 - 2045	457,000	133,237	590,237
2046 - 2050	535,000	53,700	588,700
Total	<u>\$ 2,447,000</u>	<u>\$ 1,690,196</u>	<u>\$ 4,137,196</u>

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, at December 31, 2015, the County's total legal debt margin was \$16,270,525 and the unvoted legal debt margin was \$4,713,227.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Employees earn sick leave at a rate of 4.60 hours of sick leave for each completed 80 hours in active pay status. Sick leave accumulation is unlimited. Upon retirement or death, an employee can be paid twenty-five percent to a maximum of 30 days of accumulated, unused sick leave. As of December 31, 2015, the County's total liability for unpaid compensated absences was \$1,169,181.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - OTHER EMPLOYEE BENEFITS - (Continued)

B. Health Insurance

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

NOTE 14 - RISK MANAGEMENT

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

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

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

With the exception of health insurance and workers' compensation, all insurance is held with CORSA. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. The County pays all elected officials' bonds by statute.

For 2015, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. (See Note 2.A.). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria.

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - RISK MANAGEMENT - (Continued)

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

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

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

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

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

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HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

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

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	12.0 %
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	14.1 %	14.1 %
Post-employment Health Care Benefits	<u>2.0 %</u>	<u>4.0 %</u>	<u>4.0 %</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>11.5 %</u>	<u>12.1 %</u>

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

The County's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was 2,614,631 for 2015. Of this amount, \$195,395 is reported as due to other governments.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For January 1, 2015 through June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. For July 1, 2015 through December 31, 2015, plan members were required to contribute 13 percent of their annual covered salary. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2015 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$68,631 for 2015. Of this amount, \$2,623 is reported as due to other governments.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. STRS total pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability or asset was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 20,916,180	\$ 1,203,047	\$ 22,119,227
Proportionate share of the net pension asset	74,865	-	74,865
Proportion of the net pension liability	0.184319000%	0.004353020%	
Proportion of the net pension asset	0.202512000%	-	
Pension expense	\$ 2,303,274	\$ 156,483	\$ 2,459,757

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 62,805	\$ 62,805
Net difference between projected and actual earnings on pension plan investments	1,120,593	-	1,120,593
Difference between employer contributions and proportionate share of contributions	-	658	658
County contributions subsequent to the measurement date	<u>2,614,631</u>	<u>36,408</u>	<u>2,651,039</u>
Total deferred outflows of resources	<u>\$ 3,735,224</u>	<u>\$ 99,871</u>	<u>\$ 3,835,095</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 390,300	\$ -	\$ 390,300
Net difference between projected and actual earnings on pension plan investments	-	239,516	239,516
Difference between employer contributions and proportionate share of contributions	<u>51,870</u>	<u>41,214</u>	<u>93,084</u>
Total deferred inflows of resources	<u>\$ 442,170</u>	<u>\$ 280,730</u>	<u>\$ 722,900</u>

\$2,651,039 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Year Ending December 31:			
2016	\$ 83,952	\$ (66,403)	\$ 17,549
2017	83,952	(66,403)	17,549
2018	245,070	(66,404)	178,666
2019	277,429	(18,057)	259,372
2020	(2,717)	-	(2,717)
Thereafter	<u>(9,263)</u>	<u>-</u>	<u>(9,263)</u>
Total	<u>\$ 678,423</u>	<u>\$ (217,267)</u>	<u>\$ 461,156</u>

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 40,898,542	\$ 20,916,180	\$ 6,508,304
Combined Plan	\$ 10,125	\$ (74,865)	\$ (147,834)

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 1,671,124	\$ 1,203,047	\$ 807,219

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 was 2.00% for members in the state and local category and 4.00% for members in the public safety and law enforcement categories.

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.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16- POSTEMPLOYMENT BENEFIT PLANS - (Continued)

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$200,397, \$261,412, and \$168,204, respectively; 96.90% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as pension and postemployment benefits payable on the basic financial statements.

The Hospital's contributions to fund post-employment health care benefits were approximately \$225,798, \$222,102 and \$110,719 for the years ended December 31, 2014, 2013 and 2012, respectively.

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

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS did not allocate any percentage of employer contributions to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2015, 2014 and 2013 were \$0, \$4,589 and \$4,963, respectively. The full amount has been contributed for 2015, 2014 and 2013.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>	<u>County Board of DD</u>	<u>Motor vehicle license and Gas tax</u>
Budget basis	\$ 1,521,485	\$ (205,273)	\$ 197,889
Net adjustment for revenue accruals	(3,875)	107,092	473,685
Net adjustment for expenditure accruals	(2,708)	213,134	(175,184)
Net adjustment for other sources (uses)	118,393	(20,730)	-
Funds budgeted elsewhere	193,367	-	-
Adjustment for encumbrances	<u>38,771</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$ 1,865,433</u>	<u>\$ 94,223</u>	<u>\$ 496,390</u>

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

NOTE 18 - CONTINGENCIES

A. Grants

The County received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at December 31, 2015.

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, 2015.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 19 - FUND BALANCE

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

Fund balance	General	County Board of DD	Motor Vehicle License and Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 57,917	\$ 13,472	\$ 702,914	\$ 22,865	\$ 797,168
Prepayments	98,404	6,659	1,365	15,798	122,226
Unclaimed monies	70,011	-	-	-	70,011
Total nonspendable	<u>226,332</u>	<u>20,131</u>	<u>704,279</u>	<u>38,663</u>	<u>989,405</u>
Restricted:					
Capital projects	-	-	-	1,393,552	1,393,552
Debt service	-	-	-	78,362	78,362
Public works projects	-	-	-	231,614	231,614
Public safety programs	-	-	1,168,302	1,079,860	2,248,162
Human services programs	-	2,173,806	-	4,999,143	7,172,949
Real estate assessment	-	-	-	916,165	916,165
Court special projects	-	-	-	179,398	179,398
Other purposes	-	-	-	584,566	584,566
Total restricted	<u>-</u>	<u>2,173,806</u>	<u>1,168,302</u>	<u>9,462,660</u>	<u>12,804,768</u>
Committed:					
Capital projects	-	-	-	597,131	597,131
Jail kitchen	14,728	-	-	-	14,728
Compensated absences	296,827	-	-	-	296,827
Employee benefits	257,793	-	-	-	257,793
Total committed	<u>569,348</u>	<u>-</u>	<u>-</u>	<u>597,131</u>	<u>1,166,479</u>
Assigned:					
Subsequent year appropriations	4,435,513	-	-	-	4,435,513
Public safety programs	235,440	-	-	-	235,440
Other purposes	3,271	-	-	-	3,271
Total assigned	<u>4,674,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,674,224</u>
Unassigned (deficit)	<u>2,516,515</u>	<u>-</u>	<u>-</u>	<u>(841)</u>	<u>2,515,674</u>
Total fund balances	<u>\$ 7,986,419</u>	<u>\$ 2,193,937</u>	<u>\$ 1,872,581</u>	<u>\$ 10,097,613</u>	<u>\$ 22,150,550</u>

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 20 - OTHER COMMITMENTS

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

NOTE 21 - LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County closed the landfill during 2011, issuing bonds to help fund the cost of closure. The liability reported at December 31, 2015, of \$2,073,652 represents the estimated remaining postclosure care costs. This amount represents an estimate of what it would cost to perform all postclosure care at December 31, 2015. However, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 22 - CHARITY CARE

The Hospital provides medical care without charge, or at a reduced cost, to residents of its community, primarily through (1) services provided at no charge to the uninsured; (2) the difference between public programs' payments (primarily Medicare and Medicaid) and the related costs of providing such service; and (3) the services provided to patients expressing a willingness to pay, but who are determined to be unable to pay because of socioeconomic factors. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for service and supplies furnished under its charity care policy. Charges forgone for services rendered under the Hospital's charity care policy were approximately \$197,397 in 2015.

NOTE 23 - MEDICAL MALPRACTICE CLAIMS

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

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

NOTE 24 - RELATED PARTY TRANSACTIONS

During 2015, 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 \$371,206 for in-kind contributions. Lynn Hope Industries recorded operating revenues and expenses at cost or fair value as applicable, to the extent the contribution is related to the vocational purpose of the Workshop.

The Holmes County Board of DD paid \$25,432 to Lynn Hope Industries, Inc. for services provided during 2015.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 25 - HOLMES COUNTY REGIONAL PLANNING COMMISSION

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

A. Basis of Accounting

For reporting on the government-wide financial statements, the Commission follows the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when incurred. All assets and liabilities of the Commission are reported on the Statement of Net Position and financial transactions of the Commission are reflected in the Statement of Activities. Net position at January 1, 2015 has been restated from \$63,219 to a deficit of \$47,443 with the implementation of GASB Statement No 68 and 71.

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, 2015, vacation and sick leave liability were \$4,683 and \$9,377, respectively. The entire compensated absences liability is reported on the government-wide financial statements.

NOTE 26 - LYNN HOPE INDUSTRIES, INC.

A. Summary of Significant Accounting Policies

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

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

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

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 26 - LYNN HOPE INDUSTRIES, INC. - (Continued)

Depreciation is based on the following policies:

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

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

Designation of Contributions - Contributors to the Organization have the ability to designate the programs to be benefited by their contributions. During the year ended December 31, 2015, there were no restricted contributions to the Organization.

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

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

B. Non-Cash Transactions

The Organization received in-kind services and facilities for the year ended December 31, 2015 from the Holmes County Board of DD. The value of the in-kind contribution was determined to be \$371,206 and is recorded in operating grants and operating expenses as an equivalent amount.

C. Deposits and Investments

The carrying amount of the Organization's deposits at year end was \$296,758. The entire balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

D. Related Parties

Total revenues from contracts to provide services to the Holmes County Board of DD were \$25,432 for the year ended December 31, 2015. The Organization had \$4,297 in accounts receivable from the Holmes County Board of DD at December 31, 2015.

E. Long-Term Liabilities

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

Note payable	\$ 55,595
Less: current portion	<u>(13,608)</u>
Total	<u>\$ 41,987</u>

HOLMES COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 26 - LYNN HOPE INDUSTRIES, INC. - (Continued)

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

2016	\$ 13,608
2017	14,304
2018	15,036
2019	<u>12,647</u>
Total	<u>\$ 55,595</u>

F. Capital Assets

A summary of capital assets at December 31, 2015 follows:

Equipment	\$ 76,730
Vehicles	135,952
Furniture and fixtures	6,354
Building improvements	<u>2,971</u>
Subtotal	222,007
Less: accumulated depreciation	<u>(165,083)</u>
Net capital assets	<u>\$ 56,924</u>

NOTE 27 - 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.

HOLMES COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 27 - 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>
Land improvements	50
Buildings and improvements	20 - 50
Equipment	10 - 30

A summary of capital assets at December 31, 2015, follows:

Land	\$ 54,357
Land improvements	5,291,166
Buildings and improvements	581,743
Equipment	<u>415,009</u>
Subtotal	6,342,275
Less: accumulated depreciation	<u>(455,135)</u>
Net capital assets	<u>\$ 5,887,140</u>

B. Deposits with Financial Institutions

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

At December 31, 2015, the carrying amount and bank balance of the Airport Authority's deposits was \$158,192. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015 the entire balance was covered by the FDIC.

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

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REQUIRED SUPPLEMENTARY INFORMATION

HOLMES COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS (1)

	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>		
County's proportion of the net pension liability	0.184390%	0.184390%
County's proportionate share of the net pension liability	\$ 20,916,180	\$ 20,443,753
County's covered-employee payroll	\$ 20,624,208	\$ 23,104,608
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	101.42%	88.48%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%
<i>Combined Plan:</i>		
County's proportion of the net pension asset	0.202512%	0.202512%
County's proportionate share of the net pension asset	\$ 74,865	\$ 20,403
County's covered-employee payroll	\$ 740,250	\$ 768,454
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	10.11%	2.66%
Plan fiduciary net position as a percentage of the total pension asset	114.83%	104.56%

(1) Information prior to 2013 was unavailable.

Amounts presented as of the County's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

HOLMES COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS (1)

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

(1) Information prior to 2014 was unavailable.

Amounts presented as of the County's measurement date which is as of June 30 of the respective year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

HOLMES COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>			
Contractually required contribution	\$ 2,512,462	\$ 2,474,905	\$ 3,003,599
Contributions in relation to the contractually required contribution	<u>(2,512,462)</u>	<u>(2,474,905)</u>	<u>(3,003,599)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 20,937,183	\$ 20,624,208	\$ 23,104,608
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%
<i>Combined Plan:</i>			
Contractually required contribution	\$ 102,169	\$ 88,830	\$ 99,899
Contributions in relation to the contractually required contribution	<u>(102,169)</u>	<u>(88,830)</u>	<u>(99,899)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 851,408	\$ 740,250	\$ 768,454
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 was unavailable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

HOLMES COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 68,631	\$ 64,521	\$ 64,251	\$ 71,717
Contributions in relation to the contractually required contribution	<u>(68,631)</u>	<u>(64,521)</u>	<u>(64,251)</u>	<u>(71,717)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 490,221	\$ 460,864	\$ 494,238	\$ 551,669
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 76,235	\$ 82,934	\$ 91,119	\$ 111,128	\$ 110,266	\$ 108,827
<u>(76,235)</u>	<u>(82,934)</u>	<u>(91,119)</u>	<u>(111,128)</u>	<u>(110,266)</u>	<u>(108,827)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 586,423	\$ 637,954	\$ 700,915	\$ 854,831	\$ 848,200	\$ 837,131
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

HOLMES COUNTY, OHIO

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.