HOCKING COUNTY, OHIO

SINGLE AUDIT

For the Year Ended December 31, 2011

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

Dave Yost • Auditor of State

Board of County Commissioners
Hocking County
1 East Main Street
Logan, Ohio 43138

We have reviewed the *Independent Auditor's Report* of the Hocking County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

August 21, 2012

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J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

Independent Auditor's Report

Board of County Commissioners
Hocking County, Ohio
1 East Main Street
Logan, Ohio 43138

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component units of Hocking County, Ohio, (the County) as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hocking Valley Community Hospital or Hocking Valley Industries, Inc., which are included as discretely presented component units in the County's basic financial statements. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for Hocking Valley Community Hospital and Hocking Valley Industries Inc., is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Governmental Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Motor Vehicle and Gas Tax Fund, Human Service Fund, Board of Developmental Disabilities Fund, and the Emergency Medical Services Fund for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 19, during the year ended December 31, 2011, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.*

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In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide s with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the County's financial statements taken as a whole. The federal awards expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Schedule provides additional information, but is not part of the basic financial statements. However, the Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule was subject to the auditing procedures we 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.

J.L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 28, 2012

The discussion and analysis of Hocking County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

Overall:

Total net assets increased $1,175,327 primarily due to governmental activities changes.

Total revenue was $26,767,963 in 2011.

Total program expenses were $25,592,636 in 2011.

Long term debt and other obligations decreased to $2,071,681 in 2011 from $2,242,519 in 2010. The decrease was due primarily to debt service principal payments.

Governmental Activities:

Liabilities increased $197,576 from 2010, while total assets increased by $1,384,057.

Total revenue was $26,592,401 in 2011, while program expenses were $25,405,920.

Program expenses were primarily composed of human services, health, public works, public safety, legislative and executive, and judicial where expenses were $6,212,127, $5,091,229, $4,290,537, $3,685,285, $2,915,575, and $2,038,093, respectively, in 2011.

Business-Type Activities:

Program revenues were $175,562 for business-type activities, while corresponding expenses were $186,716.

Using these Basic Financial Statements

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

- The statement of net assets and statement of activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and 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 Hocking County, the General Fund, the Motor Vehicle Gas Tax Fund, the Human Services Fund, the Board of Developmental Disabilities Fund, and the Emergency Medical Services Fund are the major funds for the County.

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader, for the County as a whole, whether the *financial position* of the County has improved. 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, required or mandated programs and other factors.

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

- Governmental Activities – Most of the County's programs and services are reported here including general government (legislative and executive and judicial), public safety, public works, health, human services, economic development and assistance, conservation and recreation, other and intergovernmental.

- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The County's wastewater treatment operations are reported as business-type activities.

Reporting the County's Most Significant Funds

Fund Financial Statements

The analysis of the County's major funds begins on page 8. Fund financial statements 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, the Motor Vehicle Gas Tax Fund, the Human Services Fund, the Board of Developmental Disabilities Fund, and the Emergency Medical Services Fund.

Governmental Funds Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance various County programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the County as a whole.

The County as a Whole

Recall that the statement of net assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2011 compared to the prior year:

Table 1

Net Assets

	Governmental Activities		Business-Type Activities		Totals	
Assets	2011	2010	2011	2010	2011	2010
Current & Other Assets	$22,031,524	$20,762,714	$173,443	$138,232	$22,204,967	$20,900,946
Capital Assets, Net	23,602,347	23,487,100	1,258,680	1,315,686	24,861,027	$24,802,786
Total Assets	45,633,871	44,249,814	1,432,123	1,453,918	47,065,994	45,703,732
Liabilities						
Long-Term Liabilities	1,608,758	1,770,021	462,923	472,498	2,071,681	$2,242,519
Current and Other Liabilities	6,621,852	6,263,013	2,755	3,821	6,624,607	$6,266,834
Total Liabilities	8,230,610	8,033,034	465,678	476,319	8,696,288	8,509,353
Net Assets						
Invested in Capital Assets						
Net of Debt	22,844,459	22,576,713	804,880	851,586	23,649,339	$23,428,299
Restricted	11,268,489	10,399,791	-	-	11,268,489	$10,399,791
Unrestricted	3,290,313	3,240,276	161,565	126,013	3,451,878	$3,366,289
Total Net Assets	$37,403,261	$36,216,780	$966,445	$977,599	$38,369,706	$37,194,379

Total assets increased by $1,362,262. The primary reasons for the increase in total assets are increases in cash, taxes receivable, and depreciable capital assets. Capital assets in the governmental activities increased $115,247 from 2010 to 2011, due to additions which were partially offset by disposals and depreciation expense. Capital assets in the business-type activities decreased $57,006 from 2010 to 2011, primarily due to depreciation expense.

Total liabilities increased $186,935. This increase is due primarily to increases in payroll related liabilities, accounts payable, matured compensated absences payable, and intergovernmental payable and unearned revenue and was partially offset by decreases in long term liabilities due to debt payments.

Business-type revenues of $175,562 were insufficient to cover expenses of $186,716 resulting in a decrease in net assets of $11,154 from 2010 to 2011.

Table 2 shows the changes in net assets for fiscal year 2011 and 2010.

Table 2
Changes in Net Assets

	2011			2010		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues:						
Charges for Services and Sales	$ 3,293,726	$ 156,432	$ 3,450,158	$ 3,157,616	$ 160,828	$ 3,318,444
Operating Grants and Contributions	11,524,675	-	11,524,675	12,326,324	-	12,326,324
Capital Grants and Contributions	435,377	19,130	454,507	2,554,334	15,453	2,569,787
Total Program Revenues	15,253,778	175,562	15,429,340	18,038,274	176,281	18,214,555
General Revenues:						
Property Taxes	5,203,895	-	5,203,895	4,700,715	-	4,700,715
Sales Taxes	3,066,855	-	3,066,855	2,971,236	-	2,971,236
Grants and Entitlements	1,120,243	-	1,120,243	1,164,104	-	1,164,104
Other Taxes	778,720	-	778,720	614,245	-	614,245
Interest Earnings	244,180	-	244,180	313,551	-	313,551
Miscellaneous	924,730	-	924,730	1,135,519	-	1,135,519
Total General Revenues	11,338,623	-	11,338,623	10,899,370	-	10,899,370
Total Revenues	26,592,401	175,562	26,767,963	28,937,644	176,281	29,113,925
Program Expenses						
General Government:						
Legislative and Executive	2,915,575	-	2,915,575	3,016,103	-	3,016,103
Judicial	2,038,093	-	2,038,093	2,234,280	-	2,234,280
Public Safety	3,685,285	-	3,685,285	3,130,525	-	3,130,525
Public Works	4,290,537	-	4,290,537	4,559,701	-	4,559,701
Health	5,091,229	-	5,091,229	5,501,418	-	5,501,418
Human Services	6,212,127	-	6,212,127	6,086,163	-	6,086,163
Economic Development and Assistance	922,280	-	922,280	290,522	-	290,522
Conservation and Recreation	225,893	-	225,893	212,680	-	212,680
Intergovernmental	-	-	-	21,308	-	21,308
Interest and Fiscal Charges	24,901	-	24,901	39,098	-	39,098
Wastewater Treatment		186,716	186,716	-	209,515	209,515
Total Expenses	25,405,920	186,716	25,592,636	25,091,798	209,515	25,301,313
Change in Net Assets	1,186,481	(11,154)	1,175,327	3,845,846	(33,234)	3,812,612
Net Assets - Beginning of Year	36,216,780	977,599	37,194,379	32,370,934	1,010,833	33,381,767
Net Assets - End of Year	$ 37,403,261	$ 966,445	$ 38,369,706	$ 36,216,780	$ 977,599	$ 37,194,379

Governmental net assets increased $1,186,481 from 2010 to 2011. Total governmental activities revenues decreased $2,345,243 due primarily to decreases in capital grants and contributions of $2,118,957, and operating grants and contributions of $801,649. These decreases were partially offset by increases in taxes of $763,274, and charges for services of $136,110 as well as other less significant changes.

Total governmental activities expenses increased $314,122 primarily due to increases in expenses for public safety of $554,760, and economic development of $631,758. These increases were partially offset by decreases in expenses for health of $410,189, public works of $269,164, and judicial of $196,187.

For business-type activities, charges for services and sales decreased $4,396, capital grants and contributions increased $3,677, and wastewater treatment expenses decreased $22,799, resulting in a decrease in net assets of $11,154.

The County receives diverse types of revenues to provide for the vast number of programs provided by the County. Operating grants and contributions provide 43% of total revenues for governmental activities. Property taxes and sales taxes provide 20% and 12% of total revenues for governmental activities, respectively.

Human services expenses comprise 24% of total expenses for governmental activities. Health, public works, public safety, and general government legislative and executive comprise 20%, 17%, 15% and 11%, respectively, of total expenses for governmental activities.

The statement of activities shows the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and various unrestricted federal and state grants and entitlements.

Table 3
Total Cost of Program Services
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General Government - Legislative and Executive	$ 2,915,575	$ 3,016,103	$ 2,469,457	$ 2,412,874
General Government - Judicial	2,038,093	2,234,280	1,129,591	1,090,477
Public Safety	3,685,285	3,130,525	1,976,199	1,754,164
Public Works	4,290,537	4,559,701	318,391	(1,973,892)
Health	5,091,229	5,501,418	2,985,618	2,928,169
Human Services	6,212,127	6,086,163	1,032,780	722,456
Economic Development and Assistance	922,280	290,522	40,048	(29,734)
Conservation and Recreation	225,893	212,680	175,157	162,545
Intergovernmental	-	21,308	-	(52,633)
Interest and Fiscal Charges	24,901	39,098	24,901	39,098
Total Expenses	$ 25,405,920	$ 25,091,798	$ 10,152,142	$ 7,053,524

60% of governmental activities are supported through program revenues.

Business-Type Activities

Business-type activities include wastewater treatment.

Overall net assets decreased $11,154 from 2010 to 2011. Charges for services and sales accounted for 89% of total revenues of $175,562.

The County's Funds

Information about the County's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of $27,252,557 and expenditures and other uses of $26,219,012. The net change in fund balance for the year was most significant in the Board of Developmental Disabilities Fund, which experienced an increase in fund balance of $506,444 primarily due to increases in intergovernmental revenue of $556,551 and charges for services of $19,527, which are partially offset by decreases in miscellaneous revenues of $118,020, and increase in health expenditures of $244,237.

The Motor Vehicle Gas Tax Fund experienced an increase in fund balance of $204,848 primarily due to revenues exceeding expenditures.

The General Fund experienced an increase in fund balance of $326,566 primarily due to revenue exceeding expenditures.

The Human Services Fund experienced an increase in fund balance of $101,247, where the fund balance went from $41,192 in 2010 to $142,439 for 2011.

The Emergency Medical Services Fund experienced a decrease in fund balance of $39,744 due to expenditures exceeding revenues.

General Fund Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2011 the County amended its General Fund budget numerous times, none significant.

For the General Fund, budget basis actual revenue and other financing sources were $6,637,077, above final budget estimates of $6,210,063. Of this difference, tax revenue made the majority of this difference.

Budget basis actual expenditures and other financing sources were $6,467,584, below final budget estimates of $6,661,954. Of this $194,370 difference, general government legislative and executive was $55,645, judicial was $44,063, and public safety was $113,739, which were all below the final estimates. Various expenditure and other financing uses categories made up the remaining difference. Total actual expenditures and other financing uses on the budget basis were $169,493 below revenues and other financing sources.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011 the County had $24,861,027 (net of accumulated depreciation) invested in land, land improvements, buildings, machinery and equipment, vehicles, infrastructure, a wastewater treatment plant and collection system; $23,602,347 in governmental activities. Additional information regarding capital assets is shown in Note 7 to the basic financial statements. Tables 4.1 and 4.2 show fiscal 2011 and 2010 balances by governmental activities and business-type activities:

Table 4.1
Capital Assets At December 31
(Net of Depreciation)
Governmental Activities

	2011	2010
Land	$ 811,350	$ 811,350
Land Improvements	50,240	56,311
Buildings	1,896,320	1,730,426
Machinery and Equipment	1,988,066	1,825,883
Vehicles	1,260,799	1,174,551
Infrastructure	17,595,572	17,888,579
Total	$ 23,602,347	$ 23,487,100

Table 4.2
Capital Assets At December 31
(Net of Depreciation)
Business-Type Activities

	2011	2010
Land	$ 29,000	$ 29,000
Wastewater Treatment Plant	107,972	128,477
Collection System	1,121,708	1,158,208
Total	$ 1,258,680	$ 1,315,685

Debt

At December 31, 2011 the County had $757,888 in governmental activities bonds and long-term notes, $142,454 due within one year. At December 31, 2011, the County had $453,800 in business-type activity bonds, $10,600 due within one year.

Tables 5 and 6 summarize bonds and notes outstanding for the past two years:

Table 5
Outstanding Debt At December 31
Governmental Activities

	2011	2010
General Obligation Bonds	$ 160,000	$ 180,000
Long Term Notes	576,688	701,987
Special Assessment Bonds	21,200	28,400
Total	$ 757,888	$ 910,387

Table 6
Outstanding Debt At December 31
Business-Type Activities

	2011	2010
Revenue Bonds	$ 453,800	$ 464,100

All general obligation bonds, long-term notes and special assessment bonds outstanding for governmental activities are general obligations of the County for which the full faith and credit of the County is pledged for repayment. For additional information regarding bonds and long-term notes payable please see Note 13 to the basic financial statements.

Current Financial Related Activities

Hocking County is strong financially at the present time. However, as the preceding information shows, the County heavily depends on its property taxpayers as well as intergovernmental monies. Since the property tax revenues do not grow at the same level as inflation and because state and federal mandates continue without providing the additional revenue resources needed to continue such programs, the County will be faced with significant challenges over the next several years to contain costs and ultimately consider the possibility of having to go back to the voters for an additional sales tax levy.

This scenario requires management to plan carefully and prudently to provide the resources to meet taxpayer needs over the next several years.

In addition, the County's system of budgeting and internal controls has made significant improvements over the past several years. All of the County's financial abilities will be needed to meet the challenges of the future.

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 Kenneth R. Wilson, County Auditor at Hocking County, 1 East Main Street, Logan, Ohio 43138, phone at (740) 385-2127, or e-mail at kwilson@co.hocking.oh.us.

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Hocking County

Statement of Net Assets

As of December 31, 2011

	Primary Government			Component Unit	
	Governmental Activities	Business-Type Activities	Total	Hospital	Adult Activities Workshop
Assets					
Equity in Pooled Cash and Cash Equivalents	$ 12,220,215	$ 148,027	$ 12,368,242	$ -	$ -
Cash and Cash Equivalents in Segregated Accounts	-	-	-	2,173,402	129,599
Receivables:					
Taxes	6,180,736	-	6,180,736	-	-
Accounts, Net	55,096	25,416	80,512	5,185,631	39,682
Interest	7,507	-	7,507	-	-
Special Assessments	33,287	-	33,287	-	-
Intergovernmental	3,250,970	-	3,250,970	-	-
Materials and Supplies Inventory	283,713	-	283,713	302,097	3,196
Prepaid Items	-	-	-	84,406	-
Asset whose use is limited:					
Under bond indenture agreement	-	-	-	330,000	-
Unamortized Financing Costs	-	-	-	29,718	-
Deposits	-	-	-	-	994
Nondepreciable Capital Assets	811,350	29,000	840,350	468,938	-
Depreciable Capital Assets, Net	22,790,997	1,229,680	24,020,677	10,109,917	48,801
Total Assets	45,633,871	1,432,123	47,065,994	18,684,109	222,272
Liabilities					
Accounts Payable	603,070	-	603,070	855,108	6,365
Accrued Wages and Benefits Payable	403,369	1,300	404,669	2,149,261	21,103
Intergovernmental Payable	455,173	1,455	456,628	-	-
Matured Compensated Absences Payable	43,897	-	43,897	-	-
Unearned Revenue	5,116,343	-	5,116,343	-	-
Estimated Third-Party Payor Settlements	-	-	-	394,072	-
Long-Term Liabilities:					
Due Within One Year	183,671	11,111	194,782	904,374	2,284
Due in More Than One Year	1,425,087	451,812	1,876,899	1,639,714	4,388
Total Liabilities	8,230,610	465,678	8,696,288	5,942,529	34,140
Net Assets					
Invested in Capital Assets, Net of Related Debt	22,844,459	804,880	23,649,339	8,064,485	-
Restricted for:					
Debt Service	103,227	-	103,227	330,000	-
Capital Projects	259,953	-	259,953	-	-
Hocking County DHA/CSEA	308,244	-	308,244	-	-
Hocking County 911	634,693	-	634,693	-	-
Senior Citizens	394,291	-	394,291	-	-
Motor Vehicle Gas Tax	2,932,986	-	2,932,986	-	-
Children Services	406,751	-	406,751	-	-
Family and Children First	256,367	-	256,367	-	-
Board of Developmental Disabilities	1,995,668	-	1,995,668	-	-
Emergency Medical Services	992,745	-	992,745	-	-
Real Estate Assessment	1,295,056	-	1,295,056	-	-
Other Purposes	1,688,508	-	1,688,508	-	-
Unrestricted	3,290,313	161,565	3,451,878	4,347,095	188,132
Total Net Assets	$ 37,403,261	$ 966,445	$ 38,369,706	$ 12,741,580	$ 188,132

See accompanying notes to the basic financial statements.

Hocking County

Statement of Activities

For the Year Ended December 31, 2011

		Program Revenues		
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental Activities				
General Government:				
Legislative and Executive	$ 2,915,575	$ 406,418	$ 39,700	$ -
Judicial	2,038,093	870,105	38,397	-
Public Safety	3,685,285	551,389	1,157,697	-
Public Works	4,290,537	152,582	3,420,153	399,411
Health	5,091,229	579,069	1,490,576	35,966
Human Services	6,212,127	678,187	4,501,160	-
Economic Development and Assistance	922,280	9,953	872,279	-
Conservation and Recreation	225,893	46,023	4,713	-
Interest and Fiscal Charges	24,901	-	-	
Total Governmental Activities	25,405,920	3,293,726	11,524,675	435,377
Business-Type Activities				
Wastewater Treatment	186,716	152,571	-	19,130
Total Business-Type Activities	186,716	152,571	-	19,130
Total Primary Government	$ 25,592,636	$ 3,446,297	$ 11,524,675	$ 454,507
Component Unit				
Hospital	$ 33,081,191	$ 33,081,057	$ 46,202	$ 187,962
Adult Activities Workshop	890,756	377,872	453,089	-
Total Component Units	$ 33,971,947	$ 33,458,929	$ 499,291	$ 187,962

General Revenues

Property Taxes Levied for:

General Purposes

Other Purposes

Sales Taxes Levied for:

General Purposes

Other Purposes

Other Taxes

Grants and Entitlements not Restricted to Specific Programs

Interest Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - As Restated for Component Unit

Net Assets End of Year

See accompanying notes to the basic financial statements.

continued

Net (Expense) Revenue and Changes in Net Assets			Component Unit	
Governmental Activities	**Business-Type Activities**	**Total**	**Hospital**	**Adult Activities Workshop**
$ (2,469,457)	$ -	$ (2,469,457)	$ -	$ -
(1,129,591)	-	(1,129,591)	-	-
(1,976,199)	-	(1,976,199)	-	-
(318,391)	-	(318,391)	-	-
(2,985,618)	-	(2,985,618)	-	-
(1,032,780)	-	(1,032,780)	-	-
(40,048)	-	(40,048)	-	-
(175,157)	-	(175,157)	-	-
(24,901)	-	(24,901)	-	-
(10,152,142)	-	(10,152,142)	-	-
-	(15,015)	(15,015)	-	-
-	(15,015)	(15,015)		
(10,152,142)	(15,015)	(10,167,157)		
			234,030	-
			-	(59,795)
			234,030	(59,795)
1,802,548	-	1,802,548	-	-
3,401,347	-	3,401,347	-	-
2,453,566	-	2,453,566	-	-
613,289	-	613,289	-	-
778,720	-	778,720	-	
1,120,243	3,861	1,124,104	-	-
244,180	-	244,180	-	396
924,730	-	924,730	-	-
11,338,623	3,861	11,342,484	-	396
1,186,481	(11,154)	1,175,327	234,030	(59,399)
36,216,780	977,599	37,194,379	12,507,550	247,531
$ 37,403,261	$ 966,445	$ 38,369,706	$ 12,741,580	$ 188,132

Hocking County

Balance Sheet

Governmental Funds

As of December 31, 2011

	General	Motor Vehicle Gas Tax	Human Services	Board of Developmental Disabilities	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	$ 3,094,970	$ 1,220,880	$ 106,977	$ 1,446,086	$ 959,781	$ 5,391,521	$ 12,220,215
Receivables:							
Taxes	2,622,289	-	-	1,966,114	1,166,565	425,768	6,180,736
Accounts, Net	-	-	-	-	55,096	-	55,096
Accrued Interest	7,507	-	-	-	-	-	7,507
Intergovernmental	469,760	1,714,812	192,920	345,553	65,418	462,507	3,250,970
Interfund	3,500	-	-	325,000	-	-	328,500
Special Assessments	-	-	-	-	-	33,287	33,287
Materials and Supplies Inventory	-	280,915	-	-	-	2,798	283,713
Total Assets	$ 6,198,026	$ 3,216,607	$ 299,897	$ 4,082,753	$ 2,246,860	$ 6,315,881	$ 22,360,024
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	$ 42,537	$ 114,454	$ 17,460	$ 27,283	$ -	$ 401,336	$ 603,070
Accrued Wages and Benefits Payable	107,722	36,022	85,946	57,962	38,387	77,330	403,369
Matured Compensated Absences Payable	-	-	-	-	-	43,897	43,897
Intergovernmental Payable	115,041	41,462	54,052	98,732	71,027	74,859	455,173
Interfund Payable	-	-	-	-	-	328,500	328,500
Deferred Revenue	2,507,471	1,163,816	-	2,084,731	1,231,983	308,617	7,296,618
Total Liabilities	2,772,771	1,355,754	157,458	2,268,708	1,341,397	1,234,539	9,130,627
Fund Balances							
Nonspendable	130,114	280,915	-	-	-	2,798	413,827
Restricted	-	1,579,938	142,439	1,814,045	905,463	5,266,768	9,708,653
Assigned	106,188	-	-	-	-	-	106,188
Unassigned	3,188,953	-	-	-	-	(188,224)	3,000,729
Total Fund Balances	3,425,255	1,860,853	142,439	1,814,045	905,463	5,081,342	13,229,397
Total Liabilities and Fund Balances	$ 6,198,026	$ 3,216,607	$ 299,897	$ 4,082,753	$ 2,246,860	$ 6,315,881	$ 22,360,024

See accompanying notes to the basic financial statements.

Hocking County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
As of December 31, 2011

Total Governmental Fund Balances		$ 13,229,397
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,602,347
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	1,744,667	
Intergovernmental	435,608	
Total		2,180,275
Long-term liabilities, including bonds, notes, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(850,870)	
Long Term Notes	(576,688)	
General Obligation Bonds	(160,000)	
Special Assessment Bonds	(21,200)	
Total		(1,608,758)
Net Assets of Governmental Activities		$ 37,403,261

See accompanying notes to the basic financial statements.

Hocking County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General	Motor Vehicle Gas Tax	Human Services	Board of Developmental Disabilities	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	$ 4,352,183	$ -	$ -	$ 1,593,643	$ 991,754	$ 2,098,764	$ 9,036,344
Intergovernmental	837,230	3,783,571	2,365,387	1,521,729	121,904	4,587,175	13,216,996
Charges for Services	1,076,222	108,437	380,122	19,527	437,283	277,910	2,299,501
Fees, Licenses and Permits	1,050	-	-	-	-	89,137	90,187
Fines and Forfeitures	147,571	29,896	-	-	-	717,530	894,997
Special Assessments	-	-	-	-	-	9,040	9,040
Interest	209,295	885	-	-	-	34,000	244,180
Miscellaneous	83,825	39,966	223,558	373,950	-	203,431	924,730
Total Revenues	6,707,376	3,962,755	2,969,067	3,508,849	1,550,941	8,016,987	26,715,975
Expenditures							
Current:							
General Government:							
Legislative and Executive	1,908,724	-	-	-	-	1,006,562	2,915,286
Judicial	1,286,259	-	-	-	-	747,820	2,034,079
Public Safety	2,198,528	-	-	-	-	1,748,512	3,947,040
Public Works	25,567	3,305,988	-	-	-	-	3,331,555
Health	75,918	-	-	2,942,405	1,590,685	639,706	5,248,714
Human Services	239,093	-	2,911,630	-	-	2,982,623	6,133,346
Conservation and Recreation	225,893	-	-	-	-	-	225,893
Economic Development and Assistance	47,344	-	-	-	-	873,426	920,770
Capital Outlay	-	348,462	-	-	-	394,350	742,812
Debt Service:							
Principal	-	99,140	-	-	-	53,359	152,499
Interest and Fiscal Charges	-	4,317	-	-	-	28,246	32,563
Total Expenditures	6,007,326	3,757,907	2,911,630	2,942,405	1,590,685	8,474,604	25,684,557
Excess of Revenues Over (Under) Expenditures	700,050	204,848	57,437	566,444	(39,744)	(457,617)	1,031,418
Other Financing Sources/(Uses)							
Proceeds from Sale of Capital Assets	2,127	-	-	-	-		2,127
Transfers In	-	-	75,913	-	-	458,542	534,455
Transfers Out	(375,611)	-	(32,103)	(60,000)	-	(66,741)	(534,455)
Total Other Financing Sources/(Uses)	(373,484)	-	43,810	(60,000)	-	391,801	2,127
Net Changes in Fund Balances	326,566	204,848	101,247	506,444	(39,744)	(65,816)	1,033,545
Fund Balances Beginning of Year - as Restated	3,098,689	1,656,005	41,192	1,307,601	945,207	5,147,158	12,195,852
Fund Balances End of Year	$ 3,425,255	$ 1,860,853	$ 142,439	$ 1,814,045	$ 905,463	$ 5,081,342	$ 13,229,397

See accompanying notes to the basic financial statements.

Hocking County

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2011

Net Change in Fund Balances - Total Governmental Funds		$ 1,033,545
Amounts reported for governmental activities in the statement of activities are different because:		
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 asset additions exceeded depreciation in the current period.		
Capital Asset Additions	1,999,071	
Current Year Depreciation	(1,743,649)	
Total		255,422
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.		
Loss on Disposal of Capital Assets	(140,175)	
Total		(140,175)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	13,126	
Intergovernmental	(136,700)	
Total		(123,574)
Repayment of bond principal and long term notes principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.		152,499
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.		
Decrease in Compensated Absences	8,764	
Total		8,764
Net Change in Net Assets of Governmental Activities		$ 1,186,481

See accompanying notes to the basic financial statements.

Hocking County

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	$ 3,956,400	$ 3,956,400	$ 4,313,056	$ 356,656
Charges for Services	968,866	968,866	909,101	(59,765)
Fees, Licenses and Permits	1,500	1,500	1,050	(450)
Fines and Forfeitures	150,050	150,050	154,298	4,248
Intergovernmental	864,800	864,800	859,206	(5,594)
Interest	203,000	203,000	211,797	8,797
Other	60,947	60,947	80,114	19,167
Total Revenues	6,205,563	6,205,563	6,528,622	323,059
Expenditures				
Current:				
General Government:				
Legislative and Executive	1,776,202	1,844,429	1,788,784	55,645
Judicial	1,330,809	1,391,421	1,347,358	44,063
Public Safety	2,313,002	2,342,443	2,228,704	113,739
Public Works	27,542	27,525	25,456	2,069
Health	79,989	92,972	85,918	7,054
Human Services	260,727	260,527	238,758	21,769
Conservation and Recreation	208,765	225,893	225,893	-
Community and Economic Development	56,760	51,835	47,524	4,311
Total Expenditures	6,053,796	6,237,045	5,988,395	248,650
Excess of Revenues Over (Under) Expenditures	151,767	(31,482)	540,227	571,709
Other Financing Sources:				
Proceeds from Sale of Fixed Assets	-	-	2,127	2,127
Transfers In	(23,683)	(23,683)	-	23,683
Advances In	4,500	4,500	106,078	101,578
Transfers Out	(483,141)	(386,726)	(375,611)	11,115
Advances Out	(14,500)	(14,500)	(103,578)	(89,078)
Other Financing Sources	-	-	250	250
Total Other Financing Sources and Uses	(516,824)	(420,409)	(370,734)	49,675
Net Change in Fund Balance	(365,057)	(451,891)	169,493	621,384
Fund Balance at Beginning of Year - As Restated	2,418,875	2,418,875	2,418,875	-
Prior Year Encumbrances Appropriated	78,518	78,518	78,518	-
Fund Balance at End of Year	$ 2,132,336	$ 2,045,502	$ 2,666,886	$ 621,384

See accompanying notes to the basic financial statements.

Hocking County
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
Motor Vehicle and Gas Tax Fund
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Charges for Services	$ 100,100	$ 100,100	$ 108,437	$ 8,337
Fines and Forfeitures	40,000	40,000	30,327	(9,673)
Intergovernmental	3,436,000	3,835,411	3,776,363	(59,048)
Interest	1,000	1,000	885	(115)
Other	36,000	61,740	39,966	(21,774)
Total Revenues	3,613,100	4,038,251	3,955,978	(82,273)
Expenditures				
Current:				
Public Works	3,260,900	3,745,592	3,573,411	172,181
Capital Outlay	262,200	378,876	350,682	28,194
Debt Service:				
Principal Retirements	99,600	99,600	99,140	460
Interest and Fiscal Charges	4,400	4,400	4,317	83
Total Expenditures	3,627,100	4,228,468	4,027,550	200,918
Excess of Revenues Over (Under) Expenditures	(14,000)	(190,217)	(71,572)	118,645
Other Financing Sources:				
Transfers In	14,000	14,000	-	(14,000)
Total Other Financing Sources	14,000	14,000	-	(14,000)
Net Change in Fund Balance	-	(176,217)	(71,572)	104,645
Fund Balance at Beginning of Year	904,405	904,405	904,405	-
Prior Year Encumbrances Appropriated	183,400	183,400	183,400	-
Fund Balance at End of Year	$ 1,087,805	$ 911,588	$ 1,016,233	$ 104,645

See accompanying notes to the basic financial statements.

Hocking County

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
Human Services Fund
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Charges for Services	$ 380,397	$ 380,397	$ 380,122	$ (275)
Intergovernmental	1,997,044	2,292,207	2,232,438	(59,769)
Other	228,500	273,104	223,558	(49,546)
Total Revenues	2,605,941	2,945,708	2,836,118	(109,590)
Expenditures				
Current:				
Human Services	2,686,091	2,952,179	2,889,282	62,897
Total Expenditures	2,686,091	2,952,179	2,889,282	62,897
Excess of Revenues Over (Under) Expenditures	(80,150)	(6,471)	(53,164)	(46,693)
Other Financing Sources:				
Transfers In	129,057	129,057	75,913	(53,144)
Transfers Out	(32,103)	(32,103)	(32,103)	-
Total Other Financing Sources and Uses	96,954	96,954	43,810	(53,144)
Net Change in Fund Balance	16,804	90,483	(9,354)	(99,837)
Fund Balance at Beginning of Year	66,920	66,920	66,920	-
Prior Year Encumbrances Appropriated	25,552	25,552	25,552	-
Fund Balance at End of Year	$ 109,276	$ 182,955	$ 83,118	$ (99,837)

See accompanying notes to the basic financial statements.

Hocking County

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
Board of Developmental Disabilities Fund
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$ 1,518,872	$ 1,518,872	$ 1,593,643	$ 74,771
Charges for Services	192,486	192,486	19,527	(172,959)
Intergovernmental	1,163,160	1,163,160	1,460,005	296,845
Other	89,200	89,200	373,950	284,750
Total Revenues	2,963,718	2,963,718	3,447,125	483,407
Expenditures				
Current:				
Health	2,948,829	3,163,646	2,989,107	174,539
Total Expenditures	2,948,829	3,163,646	2,989,107	174,539
Excess of Revenues Under Expenditures	14,889	(199,928)	458,018	657,946
Other Financing Sources:				
Transfers Out	(230,000)	(60,000)	(60,000)	-
Advances Out	-	-	(300,000)	(300,000)
Total Other Financing Uses	(230,000)	(60,000)	(360,000)	(300,000)
Net Change in Fund Balance	(215,111)	(259,928)	98,018	357,946
Fund Balance at Beginning of Year	1,252,840	1,252,840	1,252,840	-
Prior Year Encumbrances Appropriated	61,521	61,521	61,521	-
Fund Balance at End of Year	$ 1,099,250	$ 1,054,433	$ 1,412,379	$ 357,946

See accompanying notes to the basic financial statements.

Hocking County

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
Emergency Medical Services Fund
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$ 1,004,000	$ 1,004,000	$ 991,754	$ (12,246)
Charges for Services	330,000	330,000	414,261	84,261
Intergovernmental	130,000	130,000	121,904	(8,096)
Total Revenues	1,464,000	1,464,000	1,527,919	63,919
Expenditures				
Current:				
Health	2,338,000	2,351,230	1,795,673	555,557
Total Expenditures	2,338,000	2,351,230	1,795,673	555,557
Excess of Revenues Over/(Under) Expenditures	(874,000)	(887,230)	(267,754)	619,476
Net Change in Fund Balance	(874,000)	(887,230)	(267,754)	619,476
Fund Balance at Beginning of Year	999,976	999,976	999,976	-
Prior Year Encumbrances Appropriated	17,376	17,376	17,376	-
Fund Balance at End of Year	$ 143,352	$ 130,122	$ 749,598	$ 619,476

See accompanying notes to the basic financial statements.

Hocking County
Statement of Fund Net Assets
Proprietary Fund
As of December 31, 2011

Assets	**Sewer Fund**
Current Assets	
Equity in Pooled Cash	
and Cash Equivalents	$ 148,027
Accounts Receivable (net of	
allowance, where applicable)	25,416
Total Current Assets	173,443
Noncurrent Assets	
Non-depreciable Capital Assets	29,000
Depreciable Capital Assets, Net	1,229,680
Total Noncurrent Assets	1,258,680
Total Assets	1,432,123
Liabilities	
Current Liabilities	
Accrued Wages and Benefits Payable	1,300
Intergovernmental Payable	1,455
Compensated Absences - Current	511
Revenue Bonds - Current	10,600
Total Current Liabilities	13,866
Noncurrent Liabilities	
Compensated Absences - Net of Current	8,612
Revenue Bonds - Net of Current	443,200
Total Noncurrent Liabilities	451,812
Total Liabilities	465,678
Net Assets	
Invested in Capital Assets, Net of Related Debt	804,880
Unrestricted	161,565
Total Net Assets	$ 966,445

See accompanying notes to the basic financial statements.

Hocking County
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2011

		Sewer Fund
Operating Revenues		
Charges for Services	$	152,571
Other Operating Revenues		3,861
Total Operating Revenues		156,432
Operating Expenses		
Salaries and Wages		39,981
Fringe Benefits		13,838
Contractual Services		33,152
Depreciation		57,005
Materials and Supplies		10,330
Other		9,064
Total Operating Expenses		163,370
Operating Loss		(6,938)
Nonoperating Expenses		
Interest and Fiscal Charges		(23,346)
Total Nonoperating Expenses		(23,346)
Change in Net Assets Before Capital Contributions		(30,284)
Capital Contributions - Assessments		19,130
Total Capital Contributions		19,130
Change in Net Assets		(11,154)
Net Assets at Beginning of Year		977,599
Net Assets at End of Year	$	966,445

See accompanying notes to the basic finanical statements.

Hocking County
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2011

		Sewer Fund
Increase in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Cash Received from Customers	$	158,064
Cash Payments to Suppliers for Goods and Services		(44,817)
Cash Payments for Other Operating Expenses		(9,064)
Cash Payments to Employees for Services and Benefits		(52,824)
Net Cash Provided by Operating Activities		51,359
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions- Special Assessments		19,130
Principal Payments		(10,300)
Interest Payments		(23,346)
Net Cash Used by Capital and Related Financing Activities		(14,516)
Net Increase in Cash and Cash Equivalents		36,843
Cash and Cash Equivalents at Beginning of Year		111,184
Cash and Cash Equivalents at End of Year	$	148,027
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating Loss	$	(6,938)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation		57,005
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable		1,632
Increase in Intergovernmental Payable		269
Increase in Compensated Absences		726
Decrease in Accounts Payable		(1,335)
Total Adjustments		58,297
Net Cash Provided by Operating Activities	$	51,359

See accompanying notes to the basic financial statements.

Hocking County

Statement of Fiduciary Assets and Liabilities

Agency Funds

As of December 31, 2011

Assets	
Equity in Pooled Cash and Cash Equivalents	$ 3,285,762
Cash and Cash Equivalents in Segregated Accounts	459,213
Taxes Receivable	20,315,756
Intergovernmental Receivable	1,524,416
Total Assets	$ 25,585,147
Liabilities	
Due to Other Governments	$ 25,033,971
Undistributed Monies	551,176
Total Liabilities	$ 25,585,147

See accompanying notes to the basic financial statements.

NOTE 1 - REPORTING ENTITY

Hocking County, Ohio (the County), was organized on March 1, 1818. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, Municipal Court Judge, a Probate/Juvenile Judge and a Common Pleas Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

Reporting Entity: The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Hocking County, this includes the Hocking County Board of Developmental Disabilities, Hocking County Children Services Board, Hocking County Child Support Enforcement Agency, and departments and activities that are directly operated by the elected County officials.

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; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt or levying of taxes.

Discretely Presented Component Unit: The component units' columns in the basic financial statements identifies the financial data of the County's component units, Hocking Valley Community Hospital and Hocking Valley Industries, Inc. These component units are reported separately from the primary government to emphasize that they are legally separate from the County. Notes 21 and 22 provide significant disclosures related to these component units.

Hocking Valley Community Hospital - Hocking Valley Community Hospital is organized as a county hospital under provisions of the general statutes of the State of Ohio. The Board of Trustees are appointed by the County Commissioners and the Probate and Common Pleas Court Judges. The Hospital began operations in 1966 and has a 61-bed acute care unit and a 30-bed skilled nursing unit. Hocking Valley Community Hospital operates on a fiscal year ending December 31. The County has issued debt on behalf of the Hospital using the County's general taxing authority and the Hospital pays the debt service on this debt. Because the Hospital is a county hospital as defined under the Ohio Revised Code and the County does use their taxing authority to issue debt on behalf of the Hospital, the Hospital is presented as a component unit of Hocking County. Separately issued audited financial statements can be obtained from Hocking Valley Community Hospital, 601 State Route 664 North, Logan, Ohio 43138.

Hocking Valley Industries, Inc. - Hocking Valley Industries, Inc. is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. Hocking Valley Industries, Inc., under contractual agreement with the Hocking County Board of Developmental Disabilities, provides habilitation services for the mentally and physically handicapped adults in Hocking County. Hocking Valley Industries, Inc. operates on a fiscal year ending December 31.

The Hocking County Board of Developmental Disabilities provides Hocking Valley Industries, Inc. with staff salaries and other funds and support necessary for the operation of Hocking Valley Industries, Inc. Based on the significant services and resources provided by the County to Hocking Valley Industries, Inc. and the non-profit organization's sole purpose of providing assistance to the mentally and physically handicapped adults of Hocking County, Hocking Valley Industries, Inc. is presented as a component unit of Hocking County. Separately issued audited financial statements can be obtained from Hocking Valley Industries, Inc., 1369 East Front Street, Logan, Ohio 43138.

NOTE 1 - REPORTING ENTITY – (CONTINUED)

The County serves as a fiscal agent for the Hocking Valley Community Residential Center. Accordingly this organization is presented as an agency fund within the County's financial statements.

The County is associated with certain organizations, three of which are defined as jointly governed organizations, and one joint venture. These organizations are presented in Notes 15 and 16 to the basic financial statements. These organizations are:

- Athens-Hocking-Vinton Alcohol, Drug Addiction and Mental Health District
- Athens/Hocking Joint Solid Waste Management District
- Buckeye Joint-County Self-Insurance Council
- Corrections Commission of Southeastern Ohio

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the districts listed below, the County serves as fiscal agent, but the districts are not fiscally dependent on the County. Accordingly, the activity of the following districts and agencies are presented as agency funds within the County's basic financial statements.

- Hocking County Soil and Water Conservation District
- Hocking County General Health District

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hocking County 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 accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, to its business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the County's accounting policies.

Basis of Presentation: The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business-type activity is self-financing or draws from the general revenues of the County.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting: The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes herein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in enterprise funds) are accounted for through governmental funds. The following are the County's major governmental funds:

General Fund – This fund is used to account for all financial resources of the County except those accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Motor Vehicle Gas Tax Fund – This fund accounts for state gasoline tax and motor vehicle registration fees for maintenance and improvement of County roads and bridges and township bridges. The primary source of revenue for this fund is intergovernmental monies.

Human Services Fund – This fund accounts for funding from various federal and state grants used to provide job training and public assistance to qualified clients, to pay their medical assistance providers and for certain public social services. The primary source of revenue for this is fund is intergovernmental monies.

Board of Developmental Disabilities Fund – This fund accounts for the operation of a school and the costs of administering a workshop for the developmentally disabled. Revenue sources are a county-wide property tax levy and state and federal grants.

Emergency Medical Services Fund – This fund accounts for monies received from a county-wide tax levy, grant monies and charges for services to operate the County's Emergency Medical Services.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

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 following is the County's major enterprise fund:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Sewer Fund – This fund accounts for the provision of wastewater treatment services to residential and commercial users within the County. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the County, these revenues are fees for wastewater treatment services provided. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2011. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, fines and forfeitures collected and distributed to other political subdivisions, and for certain County department outside bank accounts.

Measurement Focus:

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds. Like the government-wide financial statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the County finances and meets the cash flow needs of its proprietary activities.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Revenues – Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and received essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means 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 sixty days after year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the year in which the sales are made. 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 the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest. The permissive sales taxes, various State of Ohio non-reimbursable grants, local government, local government revenue assistance, gasoline tax, motor vehicle license tax, and undivided library taxes are recognized as receivables in accordance with the fiscal year of the State of Ohio that ends June 30, 2011. Therefore six months of receivables have been recorded for these revenue types.

Deferred Revenues/Unearned Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim at December 31, 2011 but were levied to finance 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue. In addition permissive sales taxes, various State of Ohio non-reimbursable grants, local government, local government revenue assistance, gasoline tax, motor vehicle license tax, and undivided library taxes received after the sixty-day availability period have been recorded as deferred revenue. On the governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue. On the statement of net assets, the remaining portions of property taxes receivable which are not recognized as revenue are reported as unearned revenue.

Expenses/Expenditures

On the accrual basis, 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.

Budgetary Process: The budgetary process is prescribed by provisions of the 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 appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations 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, legally are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Tax Budget

A budget of estimated revenues and expenditures 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.

Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. 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 estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported as the original and final budgets on the budgetary statements reflect the amounts in the original and final amended official certificate of estimated resources at the time the original and final appropriations were passed.

Appropriations

A temporary appropriation resolution to control expenditures may be passed on or around 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 during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the Commissioners. The County Commissioners legally enacted several supplemental appropriation resolutions during the year. The budget figures reported as the original and final budgets that appear in the statements of budgetary comparisons represent the original and final appropriation amounts passed for the year.

Budgeted Level of Expenditures

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution without authority from the Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. Commissioners' appropriations are made to fund, department and object level (i.e., General Fund - Commissioners - personal services, fringe benefits, supplies and materials, contractual services and other expenditures).

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as either restricted, committed or assigned fund balances.

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 fiscal year and is not reappropriated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Cash and Cash Equivalents: Cash balances of the County's funds, except cash held by a trustee or fiscal agent and in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. 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 balance sheet and statement of net assets. For reporting purposes, "Equity in Pooled Cash and Cash Equivalents" is defined as cash on hand, demand deposits and investments held in the County treasury. For cash flow reporting purposes, the County's proprietary funds consider cash and cash equivalents to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. "Equity in Pooled Cash and Cash Equivalents" is considered to be cash and equivalents since these assets are available on demand.

During fiscal year 2011, the County had no investments.

Interest is distributed to the General Fund, the Motor Vehicle Gas Tax Fund, the WIA/JFS Non-major Special Revenue Fund. The interest earned during 2011 amounted to $209,295, $885, and $34,000, respectively.

Restricted Assets: Assets are reported as restricted with limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

Inventory of Supplies: Inventories of governmental funds are stated at cost while inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when used.

Interfund Assets and Liabilities: Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. Interfund assets and liabilities within governmental activities are eliminated on the statement of net assets. On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables."

Capital Assets: General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the proprietary funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds. In the case of land, buildings, and certain Enterprise Fund assets, the capital asset values initially were determined at December 31, 1995, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated capital assets are capitalized at estimated fair value on the date donated. For all other assets, capital assets were recorded at original cost. The County has implemented a comprehensive inventory management system over the past several years to monitor and track capital assets and related depreciation. The County has established a capitalization policy of $1,000 as the threshold for which capital assets are to be reported with the exception of infrastructure, for which the capitalization threshold is $50,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements that extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Public domain (infrastructure) general capital assets consisting of roads, bridges, and guardrails have been capitalized.

Land is not depreciated. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

Description	Estimated Lives
Buildings	40-60
Land improvements	15-25
Machinery and equipment	5-20
Vehicles	5
Wastewater Treatment Plants	25
Collection System	40-50
Infrastructure	10-50

Compensated Absences: The County uses the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and by those employees for whom it is probable will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

County employees earn vacation and sick leave at varying rates depending on length of service and departmental policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service. Accumulated, unused sick leave is paid up to a maximum of 240 hours depending on the length of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the County’s union contracts. The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Intergovernmental Revenues: For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for enterprise fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

Accrued Liabilities and Long-Term Obligations: All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on 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. General obligation bonds and special assessment bonds are recognized as liabilities on the fund financial statements when due.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Net Assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Other purposes restricted net assets include various grants and other resources restricted for various purposes. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the County's restricted net assets, none are restricted by enabling legislation.

Capital Contributions: Capital contributions on the proprietary fund financial statements arise from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction.

Fund Balances: 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:

Non-spendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually 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 placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

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 County Commissioners. Those committed amounts cannot be used for any other purpose unless the County 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 or 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 County 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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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.

Interfund Transactions: Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities are eliminated on the statement of activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS

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, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - (Non-GAAP Budgetary Basis) 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance for governmental funds (GAAP basis).
4. Certain other financing sources are recorded on a GAAP basis but are not recorded on a budget basis.
5. Advances-in and advances-out are recorded as other financing sources and uses on a budget basis as opposed to increases or decreases in interfund receivables or payables on a GAAP basis.
6. Certain funds are reported as part of the General fund on a GAAP basis, but are not reported as part of the General fund on the Budget basis.

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

Net Changes in Fund Balances
Major Governmental Funds

	General	Motor Vehcile Gas Tax	Human Services	Board of Developmental Disablities	Emergency Medical Services
GAAP Basis	$326,566	$204,848	$101,247	$506,444	($39,744)
Increases (Decreases) Due to:					
Revenue Accruals	(17,682)	(6,777)	(132,949)	(61,724)	(23,022)
Expenditure Accruals	(21,543)	(64,995)	46,201	(12,997)	5,196
Advances In	106,078	0	0	0	0
Advances Out	(103,578)	0	0	(300,000)	0
Encumbrances	(129,690)	(204,648)	(23,853)	(33,705)	(210,184)
Non-Budgeted Funds	9,342	0	0	0	0
Budget Basis	$169,493	($71,572)	($9,354)	$98,018	($267,754)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Monies held by the County that are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;

2. Bonds, notes, debentures, or other obligations of 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, or the political subdivisions of Ohio, provided that such political subdivisions are located wholly or partly within the same county as the investing authority;

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;

9. High grade commercial paper in an amount not to exceed 5 percent of the County’s total average portfolio;

10. Certain bankers’ acceptances for a period not to exceed one hundred and eighty days and commercial paper notes for a period not to exceed two hundred and seventy days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;

11. Under limited circumstances, corporate debt interests rated in any of the three highest rating classifications by at least two nationally recognized rating agencies;

12. Notes issued by corporations incorporated and operating within the United States, or by depository institutions doing business under any state or United States authority and operating within the United States. Such investments shall not exceed fifteen percent of the County’s total average portfolio and meet other requirements; and

NOTE 4 - DEPOSITS AND INVESTMENTS- (CONTINUED)

13. A current unpaid or delinquent tax line of credit authorized under division (G) of section 135.341 of the Revised Code provided that all of the conditions for entering into such a line of credit under that division are satisfied.

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.

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 Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the County's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The County's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Deposits At year-end, the County's bank balance of $16,250,532 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values 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 reappraised every six years. The last reappraisal was completed in 2010. Real property taxes are payable annually or semiannually. The first payment is due February 14, with the remainder payable by July 18.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently being phased out. The assessment percentage for businesses (except for public utilities) was reduced to zero for 2010. Amounts paid by multi-county taxpayers are due October 17. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by October 17.

NOTE 5 - PROPERTY TAXES - (CONTINUED)

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. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to itself its share of the taxes collected. The County records receipt of these taxes in various funds.

Accrued property taxes receivables represent delinquent taxes outstanding and real, tangible personal, and public utility taxes that were measurable and unpaid as of December 31, 2011. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2011 operations. The receivable is therefore offset by a credit to deferred revenue. On the modified accrual basis, the entire receivable is deferred.

The full tax rate for all County operations for the year ended December 31, 2011, was $11.20 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Estate	
Residential/Agricultural	$462,496,400
Commercial/Industrial	47,692,390
Public Utilities	93,700
Minerals	653,600
Tangible Personal Property	
Public Utilities	56,017,410
Total Property Taxes	$566,953,500

NOTE 6 - PERMISSIVE SALES TAX

In prior years, the County Commissioners, by resolution, imposed a one percent tax on certain retail sales, made in the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited entirely to the General Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2011 amounted to $2,453,566.

In 1998, a 911 Sales Tax in the amount of one quarter of one percent on certain retail sales made in the County was imposed. The proceeds from this tax are credited to the Hocking County 911 Fund and are used for 911 purposes. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. The 911 sales and use tax revenue for 2011 amounted to $613,289.

NOTE 7 - CAPITAL ASSETS

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

	Balance at January 1, 2011	Additions	Deletions	Balance at December 31, 2011
Governmental Activities				
Non-Depreciable Capital Assets				
Land	$ 811,350	$ -	$ -	$ 811,350
Total Non-Depreciable Capital Assets	811,350	-	-	811,350
Depreciable Capital Assets				
Land Improvements	84,839	-	-	84,839
Buildings	2,698,659	250,431	-	2,949,090
Infrastructure	28,147,553	907,621	-	29,055,174
Vehicles	3,160,155	276,206	(89,356)	3,347,005
Machinery and Equipment	4,296,734	564,813	(298,232)	4,563,315
Total Depreciable Capital Assets	38,387,940	1,999,071	(387,588)	39,999,423
Less Accumulated Depreciation for				
Land Improvements	(28,528)	(6,071)	-	(34,599)
Buildings	(968,233)	(84,537)	-	(1,052,770)
Infrastructure	(10,258,974)	(1,200,628)	-	(11,459,602)
Vehicles	(1,985,604)	(197,333)	96,731	(2,086,206)
Machinery and Equipment	(2,470,851)	(255,080)	150,682	(2,575,249)
Total Accumulated Depreciation	(15,712,190)	(1,743,649)	247,413	(17,208,426)
Total Depreciable Capital Assets, Net	22,675,750	255,422	(140,175)	22,790,997
Governmental Activities Capital Assets, Net	$ 23,487,100	$ 255,422	$ (140,175)	$ 23,602,347

NOTE 7 - CAPITAL ASSETS – (CONTINUED)

	Balance at January 1, 2011	Additions	Deletions	Balance at December 31, 2011
Business Type Activities				
Non-Depreciable Capital Assets				
Land	$ 29,000	$ -	$ -	$ 29,000
Total Non-Depreciable Capital Assets	29,000	-	-	29,000
Depreciable Capital Assets				
Wastewater Treatment Plant	349,506		-	349,506
Collection System	1,812,885	-	-	1,812,885
Total Depreciable Capital Assets	2,162,391	-	-	2,162,391
Less Accumulated Depreciation for				
Wastewater Treatement Plant	(221,029)	(20,505)	-	(241,534)
Collection System	(654,677)	(36,500)	-	(691,177)
Total Accumulated Depreciation	(875,706)	(57,005)	-	(932,711)
Total Depreciable Capital Assets, Net	1,286,685	(57,005)	-	1,229,680
Business Type Activities Capital Assets, Net	$ 1,315,685	$ (57,005)	$ -	$ 1,258,680

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	$87,756
Judical	22,558
Public Safety	149,901
Public Works	1,372,344
Health	14,090
Human Services	97,000
Total Depreciation Expense - Governmental Activities	$1,743,649

NOTE 8 - INTERGOVERNMENTAL RECEIVABLES

A summary of the principal items of intergovernmental receivables is as follows:

Fund/Type	Amount
Major Funds	
General Fund	
Local Government	$249,198
Homestead Rollback	144,620
Other	75,942
Total General Fund	469,760
Motor Vehicle Gas Tax	
License, Gasoline & Permissive Taxes	1,680,411
Other	34,401
Total Motor Vehicle Gas Tax	1,714,812
Human Services	
Grants and Entitlements	192,920
Total Human Services	192,920
Board of Developmental Disabilities	
Grants and Entitlements	226,936
Homestead Rollback	118,617
Total Board of Developmental Disablilities	345,553
Emergency Medical Services	
Homestead Rollback	65,418
Total Emergency Medical Services	65,418
Total Major Funds	2,788,463
Other Governmental Funds	
Grants and Entitlements	446,740
Homestead Rollback	15,767
Total Other Governmental Funds	462,507
Total Intergovernmental Receivables	
Governmental Funds	$3,250,970
Agency Funds	
License, Gasoline and Permissive Taxes	$472,906
Undivided Library Tax	438,812
Local Government	491,284
Other	121,414
Total Agency Funds	$1,524,416

NOTE 9 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. The Buckeye Joint-County Self-Insurance Council is a jointly governed organization that serves Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Pike, Vinton and Washington Counties, and was formed as an Ohio non-profit corporation for the purpose of establishing an insurance purchasing pool to obtain general liability, law enforcement, professional and fleet insurance. Member counties provide operating resources to the corporation based on actuarially determined rates.

The degree of control exercised by any participating government is limited to its representation on the Board. The Governing Board is composed of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers that include a President, Vice President, Second Vice-President and two Governing Board members. The Governing Board must approve the expenditures and investments of funds by the officer unless the Governing Board has set specific limits.

In the event of losses, the member will pay the first $250 to $1,000 of any valid claim depending on the type of loss, except for Law Enforcement and Public Official Liability for which the deductible is $5,000. The Council's liability insurance carrier will pay up to the policy limits, after the deductible. Any liability or judgment that exceeds the policy limits goes back to Hocking County.

The agreement between the County and the Council indicates that a voluntary withdrawal or termination by the County shall constitute a forfeiture of any pro-rata share of the Council reserve fund.

In the event of the termination of the Council, after sufficient time for payment of any potential claims and expense, any balance would be refunded to the members of the Council, pro-rated based upon their last year's contribution. During 2011, Hocking County paid $146,246 to the Council for insurance coverage. This jointly governed organization is a cost-sharing pool.

The County pays the State Bureau of Worker's Compensation System a premium based on a rate per $100 of salary. This rate is calculated based upon accident history and administrative costs. The County pays all elected officials' bonds by statute.

The County has not incurred significant reductions in insurance coverage from coverage in the prior year by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 10 - DEFINED BENEFIT RETIREMENT PLAN

All Hocking County full-time employees participate in the Public Employees Retirement System of Ohio.

Ohio Public Employees Retirement System

A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.

2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

4) OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

5) Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

6) OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

7) The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

The 2011, 2010, and 2009 member contribution rates were 10.0%, 10.0%, and 10.0%, respectively, for members in state, and local classifications. Public safety and law enforcement members contributed at a rate of 11.0%, 11.1%, and 10.0%, respectively.

The 2011, 2010 and 2009 employer contribution rate for state and local government employers was 14.0%, 14.0%, and 14.0%, respectively, of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rates were 18.10%, 17.87%, and 17.63%, respectively.

The County's contributions to OPERS for the years ended December 31, 2011, 2010, and 2009, were $1,496,126, $1,437,885, and $1,439,900, respectively. 88.8% has been contributed for 2011 and 100% for years 2010 and 2009. Of the 2011 amount, $166,821 was unpaid at December 31, 2011 and is recorded as a liability within the respective funds.

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System have an option to choose social security or the Public Employees Retirement System. As of December 31, 2011, none of the elected officials had elected social security.

NOTE 11 - POST EMPLOYMENT BENEFITS

Public Employees Retirement System

A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml , writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. The Ohio Revised Code provides the statutory authority requiring public employer units to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, 2010, and 2009, local government employer units contributed at 14.0%, 14.0%, and 14.0%, respectively, of covered payroll, and public safety and law enforcement employer units contributed at 18.10%, 17.87%, and 17.63%, respectively. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units, and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2011, the employer contribution allocated to the health care plan was 4.0%. For 2010, the employer contribution allocated to the health care plan was 5.5% for January through March and 5.0% for April through December. For 2009, the percentage was 7.0% of covered payroll. 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.

C. The employer contributions that were used to fund post-employment benefits were $495,745, $605,616, and $592,852, for 2011, 2010 and 2009 respectively, which were equal to the required contributions for those years.

D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2008. Member and employer contribution rates increased on January 1, of each year from 2006 to 2009. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

NOTE 12 - OTHER EMPLOYEE BENEFITS

Deferred Compensation Plans: The County offers the Ohio Public Employees Deferred Compensation Plan and the County Commissioners Association of Ohio Deferred Compensation Plan to its employees and elected officials. The plans were established in accordance with Internal Revenue Code 457, as well as ORC Sections 145.73 and 145.74. Participation in either plan is on a voluntary payroll deduction basis. These plans permit the deferral of compensation until future years. The deferred compensation is not available to employees until termination, retirement, death, or for an unforeseeable emergency. Both plans have implemented GASB Statement No. 32 in prior years. In accordance with the pronouncement, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

NOTE 13 - LONG-TERM DEBT

The County's long-term obligations at year-end consisted of the following:

	Outstanding 12/31/2010	Increases	Decreases	Outstanding 12/31/2011	Due Within One Year
General Obligation Bonds:					
1998 - 3.8 - 5.35% (original issue $750,000)					
Consolidated County Building Bonds	$180,000	$0	$20,000	$160,000	$20,000
Total General Obligation Bonds	180,000	-	20,000	160,000	20,000
Long-Term Notes:					
2003 - 4.15% (Original Issue $277,692)					
Juvenile Detention Facility Note	204,898	-	12,204	192,694	12,689
2004 - 5.5% (Original Issue $175,000)					
Columbus Gas Building Note	140,646	-	6,898	133,748	7,262
2005 - 0.02% (Original Issue $72,000)					
OPWC Note - CR 17 Bridge Replacement	6,794	-	6,794	-	-
2007 - 0.00% (Original Issue $34,734)					
OPWC Note - TR 317 Bridge Replacement	17,367	-	6,947	10,420	6,947
2010 - 0.00% (Original Issue $202,000)					
OPWC Note - CR 33A Bridge Replacement	202,000	-	40,400	161,600	40,400
2008 - 3.9% (Original Issue $100,000)					
Citizens Bank Note - Gradall Hydraulic Excavator	60,000	-	20,000	40,000	20,000
2008 - 4.5% (Original Issue $20,000)					
Citizens Bank Note - Dog Warden Truck	10,000	-	5,000	5,000	5,000
2008 - 4.0% (Original Issue $14,394)					
Citizens Bank Note - Copiers	10,282	-	2,056	8,226	2,056
2009 - 3.75% (Original Issue $75,000)					
Citizens Bank Note - New Holland Front End Loader	50,000	-	25,000	25,000	25,000
Total Long-Term Notes	701,987	-	125,299	576,688	119,354
Special Assessment Bonds:					
1996 - 5.5% (Original Issue $53,500)					
Rockbridge Sewer Special Assessment Bonds	24,200	-	3,000	21,200	3,100
1991 - 5.875% (Original Issue $51,834)					
Haydenville FmHA Special Assessment Bonds	4,200	-	4,200	-	-
Total Special Assessment Bonds	28,400	-	7,200	21,200	3,100
Compensated Absences	859,634	926,987	935,751	850,870	41,217
Total General Long-Term Obligations	$1,770,021	$926,987	$1,088,250	$1,608,758	$183,671
Enterprise Funds					
1996 - 4.5% (Original Issue $333,000					
Rockbridge Sanitary Sewer Revenue Bonds	$285,100	$0	$5,700	$279,400	$5,800
1991 - 5.875% (Original Issue $227,000)					
Haydenville Sewer FmHA Revenue Bonds	179,000	-	4,600	174,400	4,800
Total Revenue Bonds	464,100	-	10,300	453,800	10,600
Compensated Absences	8,398	9,833	9,108	9,123	511
Total Enterprise Fund	$472,498	$9,833	$19,408	$462,923	$11,111

NOTE 13 - LONG-TERM DEBT – (CONTINUED)

The General Obligation Bonds will be paid from the Debt Service Funds.

The County has pledged future special assessment revenues to repay $21,200 (original issue amounts of $53,500) in special assessment bonds issued in 1996. Proceeds from the bonds provided financing for the construction of the Rockbridge sewer lines. The bonds are payable solely from special assessment revenues and are payable through 2017. However, the County would be required to pay any deficit on these bonds if future special assessment revenues were not sufficient to make the debt service payments. Annual principal and interest payments on the bonds are expected to require all of the special assessment revenues. The total principal and interest remaining to be paid on the bonds is $24,667. Principal and interest paid for the current year and total special assessment revenues were $8,536. Haydenville Special Assessments Bonds issued in 1991, (original amount $51,834) matured in 2011.

The County has pledged future sewer customer revenues, net of specified operating expenses, to repay $279,400 and $174,400 (original issue amounts of $333,000 and $227,000) in sewer revenue bonds issued in 1996 and 1991, respectively. Proceeds from the bonds provided financing for the construction of the Rockbridge and Haydenville wastewater treatment facilities. The bonds are payable solely from sewer customer net revenues and are payable through 2037. Annual principal and interest payments on the bonds are expected to require approximately 65 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $780,657. Principal and interest paid for the current year and total customer net revenues were $33,646 and $46,207, respectively.

The compensated absences liability will be paid from the fund, from which the employees are paid, with the most significant funds being the General Fund, Motor Vehicle Gas Tax Fund, Human Services Fund, Board of Developmental Disabilities Fund, Emergency Medical Services Fund, and Children's Services Fund.

During 2003, the County issued long-term notes at 4.15% in the amount of $277,692, for the purpose of assisting in the County's share of the Juvenile Detention Facilities. The notes are being paid from the debt service fund.

During 2004, the County issued $175,000 in long-term notes to acquire the Columbia Gas building, at a 5.5% interest rate. The notes are being repaid from the debt service fund.

During 2005, the County issued a long term note. The note was from the Ohio Public Works Commission in the amount of $72,000 for the purpose of replacing the County Road 17 Bridge. This note was repaid from the Motor Vehicle Gas Tax Fund. This note was paid in 2011.

During 2007, the County issued a long term note from the Ohio Public Works Commission in the amount of $34,734 at 0% interest for the purpose of replacing the Township Road 317 Bridge. The note will be repaid from the Motor Vehicle Gas Tax Fund.

During 2008, the County issued three long term notes from Citizens Bank. The first note was in the amount of $100,000 at 3.9% interest for the purpose of purchasing a Gradall Hydraulic Excavator. The note will be repaid from the Motor Vehicle Gas Tax Fund. The second note was in the amount of $20,000 at 4.5% interest for the purpose of purchasing a truck for the Dog Warden. The note will be repaid from the Dog and Kennel Fund. The third note was in the amount of $14,394 at 4.0% interest for the purpose of purchasing copiers. The note will be repaid from the Human Services Building Bond Retirement Fund.

During 2009, the County issued a long term note from Citizens Bank in the amount of $75,000 at 3.75% interest for the purpose of purchasing a New Holland Front End Loader. The note will be repaid from the Motor Vehicle Gas Tax Fund.

During 2010, the County issued a long term note from the Ohio Public Works Commission in the amount of $202,000 at 0% interest for the purpose of replacing the County Road 33A Bridge. The note will be repaid from the Motor Vehicle Gas Tax Fund

NOTE 13 - LONG-TERM DEBT – (CONTINUED)

The following is a summary of the County's future principal and interest requirements for long-term bonds:

	Consolidated Services Buiding Bonds		Special Assessment Bonds		Sanitary Sewer Revenue Bonds	
	Principle	Interest	Principle	Interest	Principle	Interest
2012	$20,000	$8,560	$3,100	$954	$10,600	$22,819
2013	20,000	7,490	3,300	815	11,300	22,276
2014	20,000	6,420	3,500	666	11,800	21,697
2015	25,000	5,350	3,600	509	12,400	21,092
2016	25,000	4,012	3,800	347	13,000	20,456
2017-2021	50,000	4,013	3,900	176	76,000	91,501
2022-2026	0	0	0	0	97,800	69,788
2027-2031	0	0	0	0	125,700	41,688
2032-2036	0	0	0	0	77,500	14,743
2037	0	0	0	0	17,700	797
Totals	$160,000	$35,845	$21,200	$3,467	$453,800	$326,857

	TR317 Bridge Replacement		Gradall Hydraulic Excavator		Dog Warden Truck	
	Principle	Interest	Principle	Interest	Principle	Interest
2012	$6,947	$0	$20,000	$1,582	$5,000	$228
2013	3,473	0	20,000	791	0	0
Totals	$10,420	$0	$40,000	$2,373	$5,000	$228

	Columbia Gas Building Notes		Juvenile Detention Facility Notes		CR33A Bridge Replacement OPWC	
	Principle	Interest	Principle	Interest	Principle	Interest
2012	$7,262	$7,479	$12,689	$8,018	$40,400	$0
2013	7,687	7,053	13,238	7,470	40,400	0
2014	8,116	6,624	13,787	6,921	40,400	0
2015	8,569	6,172	14,359	6,349	40,400	0
2016	9,031	5,710	14,940	5,768	0	0
2017-2021	53,371	20,333	84,604	18,934	0	0
2022-2024	39,712	4,511	39,077	2,452	0	0
Totals	$133,748	$57,882	$192,694	$55,912	$161,600	$0

NOTE 13 - LONG-TERM DEBT – (CONTINUED)

	Copiers		New Holland Front-End Loader	
	Principle	Interest	Principle	Interest
2012	$2,056	$337	$25,000	$937
2013	2,056	250	0	0
2014	2,056	167	0	0
2015	2,058	83	0	0
2016	0	0	0	0
2017-2021	0	0	0	0
2022-2024	0	0	0	0
Totals	$8,226	$837	$25,000	$937

Hocking Valley Community Hospital is responsible for the debt service on the 1993 Hospital Refunding and Improvement Bonds and the 1997 County Hospital Improvement Bond Anticipation Note. The County is not reporting this debt as part of the County's Primary Government. The Hospital is responsible for paying off this debt; therefore, the debt is being reported within the Hocking Valley Community Hospital, a discretely presented component unit of the County. In the event that the Hospital would fail to pay the debt, the County would be responsible for making payment.

NOTE 14 - INTERFUND TRANSACTIONS

As of December 31, 2011, receivables and payables that resulted from various interfund transactions were as follows. The County's General Fund made advances to other funds in anticipation of intergovernmental grant revenue. The Board of Developmental Disabilities Fund made an advance to the DD Permanent Improvement Fund during 2011. It will be repaid at the end of in fiscal year 2012.

	Interfund Payables	Interfund Receivables
Major Funds:		
General	$0	$3,500
Board of Developmental Disablilities	0	325,000
Total Major Funds	0	328,500
Non-Major Special Revenue Funds:		
DD Permanent Improvement	325,000	0
High Visability Enforcement	3,500	0
Total Non-Major Special Revenue Funds	328,500	0
Total All Funds	$328,500	$328,500

NOTE 14 - INTERFUND TRANSACTIONS - (CONTINUED)

Fund Type/Fund	Transfers In	Transfers Out
Major Funds		
General Fund	$0	$375,611
Human Services	75,913	32,103
Board of Developmental Disablilities	0	60,000
Total Major Funds	75,913	467,714
Other Governmental Funds		
Non-Major Special Revenue Funds		
Hocking County DHS/CSEA	31,956	0
Indigent Guardianship	0	2,000
Children's Services	212,500	14,741
Senior Citizens	0	50,000
Hocking County Emergency Mgmt	24,040	0
Special Projects	2,000	0
VOCA Grant	10,494	0
Total Non-Major Special Revenue Funds	280,990	66,741
Non-Major Capital Projects Funds		
DD Permanent Improvement Fund	60,000	0
Capital Projects - SHSC	50,000	0
Total Non-Major Capital Projects Funds	110,000	0
Non-Major Debt Service Funds		
Childrens Services Building Bond Retirement Fund	14,741	0
General Obligation Debt Fund	20,708	0
Human Services Building Bond Retirement	32,103	0
Total Non-Major Debt Service Funds	67,552	0
Total Other Governemental Funds	458,542	66,741
Total All Funds	$534,455	$534,455

During the year, the County provided transfers from the General Fund to the above funds to subsidize them in accordance with the funds' needs or to provide resources to make debt service payments. The transfer from the Hocking County Human Services Fund to the Human Services Building Bond Retirement Fund is to provide monies for the debt service payments. The transfer from the Board of Developmental Disabilities Fund to the DD Permanent Improvement Fund is to provide for capital projects within the DD Permanent Improvement Fund. The transfer from the Children's Services Fund to the Children's Services Building Bond Retirement Fund is to provide monies for the debt service payments. The transfer from the Senior Center fund to the Capital Projects fund is to provide for capital improvements to the Senior Center.

NOTE 15- JOINTLY GOVERNED ORGANIZATIONS

Athens-Hocking-Vinton Alcohol, Drug Addiction and Mental Health District

The County is a member of the Athens-Hocking-Vinton Alcohol, Drug Addiction and Mental Health District, which is a jointly governed organization of these three counties. The purpose of the District is to provide alcohol, drug addiction and mental health services to residents of each of these three counties. Each participating county has agreed to levy a tax within their county to assist in the operation of the District, whose passage requires a majority in the total three county districts.

This entity is governed by an eighteen-member board that is responsible for its own financial matters and operates autonomously from Hocking County. The Athens County Auditor serves as fiscal agent for the activities of the Board. Nine of the board members are appointed by the Ohio Department of Alcohol and Drug Addiction Services, four members are appointed by the Ohio Department of Mental Health, and five members are appointed by the County Commissioners. The District derives its revenue from local property taxes, intergovernmental grants and reimbursements, and other miscellaneous revenue. Hocking County has no ongoing financial interest or responsibility in this District.

Athens/Hocking Joint Solid Waste Management District

The County is a member of the Athens/Hocking Joint Solid Waste Management District, which is a jointly governed organization of these two counties. The purpose of the District is to make disposal of waste in the two-county area more comprehensive in terms of recycling, incinerating, and land filling. The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste. Although the counties contributed amounts to the District at the time of its creation, all contributions have since been returned to the respective counties and no future contributions by the counties are anticipated. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

Buckeye Joint-County Self Insurance Council

The Buckeye Joint-County Self Insurance Council is a jointly governed organization that serves Athens, Hocking, Jackson, Meigs, Monroe, Morgan, Noble, Perry, Pike, Vinton, and Washington Counties and was formed as an insurance purchasing pool for the purpose of providing general liability, law enforcement, professional and fleet insurance. Member counties provide operating resources to the organization base on actuarially determined rates. The degree of control exercised by any participating government is limited to its representation on the Board. Hocking County does not have any ongoing interest or responsibility in the organization.

Ohio Government Risk Management Plan
The Buckeye Joint-County Self Insurance Council belongs to the Ohio Government Risk Management Plan; an unincorporated non-profit association with approximately 500 public entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages. The Plan retains a small portion of the risk as identified in the Plan's financials presented on the website at www.ohioplan.com. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

NOTE 16 – JOINT VENTURE

Corrections Commission of Southeastern Ohio

The County is a participant with Athens, Morgan and Perry Counties in the Corrections Commission of Southeastern Ohio (the Commission) which is a joint venture of the participating counties. The purpose of the Commission is to augment the county jail programs and facilities. The operation of the Commission allows for the humane and constitutional detention of persons who cannot be released to less restrictive alternatives. The participating Boards of County Commissioners established the Commission. The Commission is directed by the Sheriff of each participating county, the presiding Judge of the Court of Common Pleas of each participating county, and the current president of each participating Board of County Commissioners. Each county is obligated to provide financial support to this entity through per diem charges and assessments that are based on the number of beds contractually assigned to each county in proportion to the total number of beds of all participating counties. The County has an ongoing financial responsibility for this entity and, during 2011, contributed $595,261 toward the operating and capital costs of this facility. However the County has no explicit equity interest in the Commission. Complete financial statements of the joint venture can be obtained from the Corrections Commission of Southeastern Ohio, 16678 Wolfe Bennett Road, Nelsonville, Ohio 45764.

NOTE 17 – CONTINGENT LIABILITIES

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

NOTE 18 – RELATED PARTY RELATIONSHIP

On May 8, 2008, the County guaranteed a loan for the Hocking County Agricultural Society restroom/shower facility construction project, using the fairgrounds as collateral. The original loan balance was $140,000 with annual debt service principal requirements of $9,333, plus interest, for a term of 15 years. This loan carries an interest rate of 6.25%. As of December 31, 2011, the outstanding balance on this loan was $62,118. This balance is not recognized as a liability in the County's basic financial statements because the Agricultural Society is primarily liable and has not yet been in default of the debt agreement.

NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES

For 2011, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES - (CONTINUED)

The implementation of this statement resulted in the reclassification of certain funds, and resulted in a beginning balance restatement as follows:

	General Fund	Other Governmental Funds
Balance January 1, 2011	$2,970,484	$5,275,363
Reclassification of Fund	128,205	(128,205)
Restated Balance January 1, 2011	$3,098,689	$5,147,158

	General Fund Budgetary
Balance January 1, 2011	$2,570,593
Funds Not Included as Part of General funds for Budgetary Purposes	(151,718)
Restated Balance January 1, 2011	$2,418,875

NOTE 20 – FUND BALANCES

Fund Balances	General	Motor Vehicle Gas Tax	Human Services	Board of Developmental Disabilities	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Unclaimed Monies	$130,114	$0	$0	$0	$0	$0	$130,114
Materials & Supplies Inventories	0	280,915	0	0	0	2,798	283,713
Total of Nonspendable	130,114	280,915	0	0	0	2,798	413,827
Restricted For:							
Debt Service	0	0	0	0	0	102,290	102,290
Capital Projects	0	0	0	0	0	259,953	259,953
Human Services	0	0	142,439	0	0	227,621	370,060
Law Enforcement	0	0	0	0	0	42,356	42,356
Children Services	0	0	0	0	0	480,183	480,183
Child Support Enforcement	0	0	0	0	0	318,359	318,359
Family and Children First	0	0	0	0	0	256,367	256,367
Motor Vehicle Gas Tax	0	1,579,938	0	0	0	94,983	1,674,921
Court Services	0	0	0	0	0	593,184	593,184
Senior Citizens	0	0	0	0	0	367,431	367,431
Board of Developmental Disabilities	0	0	0	1,814,045	0	120,718	1,934,763
Emergency Medical Services	0	0	0	0	905,463	691,965	1,597,428
Real Estate Assessment	0	0	0	0	0	1,318,492	1,318,492
Other Purposes	0	0	0	0	0	392,866	392,866
Total Restricted	0	1,579,938	142,439	1,814,045	905,463	5,266,768	9,708,653
Assigned	106,188	0	0	0	0	0	106,188
Unassigned (deficit)	3,188,953	0	0	0	0	(188,224)	3,000,729
Total Fund Balances	$3,425,255	$1,860,853	$142,439	$1,814,045	$905,463	$5,081,342	$13,229,397

NOTE 21– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL

As indicated in Note 1 to the basic financial statements, the following disclosures are made on behalf of Hocking Valley Community Hospital:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Hocking Valley Community Hospital (the Hospital), located in Hocking County, Logan, Ohio, is organized as a county hospital under provisions of the general statutes of the State of Ohio requiring no specific articles of incorporation. The organization is exempt from Federal income taxes. The Board of Trustees, appointed by the county commissioners and the probate and common pleas court judges, is charged with the management and operation of the Hospital, its finances and staff. The Hospital, which began operations in 1966, has a 61-bed acute care unit, a 30-bed skilled nursing unit and a 10 bed geriatric psychiatric unit. The Hospital is considered a component unit of Hocking County, Ohio and is included as a component unit in the basic financial statements of Hocking County.

Basis of Presentation - The financial statements have been presented in conformity with accounting principles generally accepted in the United States of America as recommended in the Audit Guide (Health Care Organizations) published by the American Institute of Certified Public Accountants. The significant accounting policies conform to accounting principles generally accepted in the United States (GAAP) for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Hospital also applies the Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to the extent that they do not contradict or conflict with GASB pronouncements.

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

Proprietary Fund Accounting - The Hospital utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis.

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy 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. Attached to the grants are certain restrictions requiring the Hospital to provide an annual amount of uncompensated care to indigent patients. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The amount of charity care not recorded as revenue was approximately $3,884,677 in 2011.

NOTE 21-COMPONENT UNIT DISCLOSURES-HOCKING VALLEY COMMUNITY HOSPITAL – (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Patient Service Revenue and Patient Accounts Receivable - Normal billing rates for patient services less contractual adjustments are included in patient service revenue. Patient accounts receivable is adjusted for contractual allowances which are reported on the basis of preliminary estimates of the amounts to be received from third party payors. Final adjustments are recorded in the period such amounts are finally determined. In 2011, approximately 51% of the Hospital's total patient revenue was derived from Medicare payments while 8% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance payments and individual self-payments. The Hospital maintains an allowance for doubtful accounts based upon the expected collectability of patient accounts receivable.

Investments - The Hospital's policy is to invest available funds in obligations of the U.S. Government, certificates of deposit, mutual funds and money market funds. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in non-operating revenue when earned.

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Liabilities*, effective for years beginning after November 15, 2007. This financial accounting and reporting standard permits financial reporting entities to choose to measure many financial instruments and certain other items at fair value. The objective of this Standard is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reporting earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The adoption of this standard will require the Hospital to report unrealized gains and losses on items for which the fair value option has been elected within the performance indicator on the statement of activities.

Assets Whose Use is Limited - Assets whose use is limited consist of certificates of deposit restricted by the Trustee for maintenance of a minimum operating reserve in connection with the Hospital's Refunding and Improvement Bonds. The certificates are carried at fair value which approximates cost.

Inventory - Inventories are stated at the lower of cost (first-in, first-out) or market.

Capital Assets **–** Capital assets are reported at historical cost. Contributed capital assets are recorded at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives.

Buildings and related improvements	10 to 40 years
Fixed equipment	10 to 20 years
Moveable equipment	3 to 20 years
Land improvements	10 to 20 years

Amortization expense on capital leases in included in depreciation expense.

Deferred Financing Costs - Deferred financing costs consist primarily of underwriter fees and other costs related to the issuance of the bonds and are being amortized over the life of the bonds based on the straight-line method. Accumulated amortization as of December 31, 2011 was $84,794.

Cash and Cash Equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Compensated Absences **–** The Hospital's employees earn vacation time at varying rates depending on years of service. Employees may accumulate vacation time, up to a specified amount, to be carried over to the subsequent year. The estimated amount of vacation time payable for hours earned is reported as a current liability in 2010. The Hospital's employees also earn sick leave on an annual basis at a flat rate regardless of years of service. Accrued sick leave is paid out at termination at rates up to 12% of hours accrued at 50% of hourly rate, depending on years of service in accordance with the Ohio Revised Code. Accrued sick leave is paid out at 33%, with maximum payouts of 40 to 80 days depending on years of service, for retired employees with at least 10 years of service. The estimated amount of sick leave time payable for hours earned is reported as a current liability in 2011.

Risk Management - The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets;

NOTE 21-COMPONENT UNIT DISCLOSURES-HOCKING VALLEY COMMUNITY HOSPITAL – (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice and employee health, dental, and accident benefits. Commercial insurance is purchased for claims arising from such matters. Settled claims have not exceeded this coverage in any of the three preceding years.

Cost of Borrowings – Except for capital assets acquired through gifts, contributions on capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in 2011.

Grants and Contributions **–** From time to time, the Hospital receives grants and contributions from governmental organizations, private individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Restricted Resources **–** When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Net Assets - Net assets of the Hospital are classified in three components. Net assets invested in capital assets net of related debt consist of capital assets, net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net assets are assets that are set aside for bond repayment purposes, as specified by creditors of the Hospital as well as restricted contributions. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Statement of Activities **–** For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services, are reported as revenue and expenses. Peripheral or incidental transactions are reported as gains and losses. The peripheral activities include investment income and are reported as non-operating.

2. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payment to the Hospital at amounts different from its established rates. The Hospital is designated as a Critical Access Hospital (CAH) under the Medicare and Medicaid programs. CAHs receive payments on a reasonable cost basis for inpatient and most outpatient services provided to eligible Medicare and Medicaid patients. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established rates for services and amounts reimbursed by third-party payers. A summary of the basis of reimbursement with major third-party payers follows:

Medicare: On October 4, 2006, the Hospital became a Critical Access Hospital. After October 4, 2006, inpatient services and most outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. Other outpatient services are based on fee schedules.

The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through 2006.

The Hospital's swing bed and Extended Care Facility are paid based on a prospective payment system (PPS). This system establishes Resource Utilization Groups (RUGs) based on the clinical and diagnostic information from the beneficiaries Minimum Data Set Version 2.0 (MDS). The MDS assessment is performed at prescribed intervals by a nurse and the RUG-III group is determined based on the clinical resources needed by the beneficiary. Each RUG category has a payment rate which is facility specific based on the location and wage index of the facility.

NOTE 21-COMPONENT UNIT DISCLOSURES-HOCKING VALLEY COMMUNITY HOSPITAL – (CONTINUED)

2. NET PATIENT SERVICE REVENUE - Continued

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge. Medicaid outpatient services are reimbursed based upon the lesser of the Hospital's charge or predetermined fee schedule amounts. Capital related expenditures are subject to annual cost report settlement.

Other payors: The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies.

Gross patient service revenue and the allowances to reconcile to net patient service revenue for the year ended December 31, 2011 is as follows:

	2011
Gross patient service revenues	$77,371,911
Less third-party allowances	41,483,939
Less bad debts	3,190,513
Net patient service revenue	$32,697,459

3. DEPOSITS AND INVESTMENTS

Deposits – State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. At December 31, 2011, the carrying amount of the Hospital's bank deposits for all funds is $860,920 as compared to a bank balance of $1,288,584. The difference in carrying amounts and bank balances are caused by outstanding checks and deposits-in-transit. Of the bank balances at December 31, 2011, $327,738 is covered by Federal insurance programs and $960,846 is collateralized with securities held by the financial institution or by its trust department or agent but not in the Hospital's name.

The Hospital's investments generally are reported at fair value, as discussed in Note 1 of this footnote. At December 31, 2011, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

		Maturities	
	Carrying Amount	Less than 1 Year	1 - 5 Years
Agency bonds	$ 6,317	$ -	$ 6,317
Certificate of deposit	546,975	334,727	212,248
Money Market Funds	1,089,190	1,089,190	-
	$ 1,642,482	$ 1,423,917	$ 218,565

Interest rate risk – While no formal investment policy has been established by the Hospital, the Hospital's investments are in accordance with and governed by the Ohio Revised Code, which requires low risk investments be maintained.

Credit risk – The Hospital may invest in United States obligations or any other obligation guaranteed by the United States; bonds, notes or any other obligations or securities issued by any federal government agency or instrumentality; time certificates of deposit or savings or deposit accounts, including passbook accounts, in eligible institutions; bonds and other obligations of the State of Ohio or the political subdivisions of the state provided that such political subdivisions are located wholly or partly within the same county; and certain no load money market mutual funds; certain commercial paper; and certain repurchase agreements.

Concentration of credit risk – The Hospital places no limit on the amount it may invest in any one issuer. The Hospital maintains its investments, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on investments. At December 31, 2011, the Hospital had 33% of its investments invested in certificates of deposit at local banks.

NOTE 21-COMPONENT UNIT DISCLOSURES-HOCKING VALLEY COMMUNITY HOSPITAL – (CONTINUED)

4. CAPITAL ASSETS

Capital assets consist of the following:

	12/31/2010	Additions	Retirements/ Transfers	12/31/2011
Land improvements	$ 588,510	$ -	$ 89,288	$ 677,798
Buildings and improvements	14,217,207	11,929	(8,740)	14,220,396
Equipment	12,402,672	534,603	(890,924)	12,046,351
Construction in process	296,162	347,693	(174,917)	468,938
Total capital assets	27,504,551	894,225	(985,293)	27,413,483
Less accumulated depreciation:				
Land improvements	(286,898)	(14,236)	-	(301,134)
Buildings and improvements	(6,672,848)	(412,155)	8,740	(7,076,263)
Equipment	(9,319,541)	(1,114,243)	976,553	(9,457,231)
Total accumulated depreciation	(16,279,287)	(1,540,634)	985,293	(16,834,628)
Capital assets, net	$ 11,225,264	$ (646,409)	$ (1,970,586)	$ 10,578,855

Cost of equipment under capital lease	$ 4,120,960
Accumulated amortization	(3,172,479)
Net carrying amount	$ 948,481

Depreciation expense for the year ended December 31, 2011 totaled $1,540,634.

5. ESTIMATED THIRD-PARTY SETTLEMENTS

Estimated third-party payer settlements consist of amounts due from (to) the Medicare program for the settlement of the cost reports. The balance as of December 31, 2010 consists of estimated amounts as follows:

	2011
2009	$ (40,000)
2010	(40,000)
2011	(314,072)
	$ (394,072)

NOTE 21- COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – (CONTINUED)

6. ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Patient accounts receivable, accounts payable and accrued expenses reported as current liabilities at December 31, 2011 consisted of these amounts:

Patient Accounts Receivable		
Receivable from patients and their insurance carriers	$	4,593,332
Receivable from Medicare		3,782,873
Receivable from Medicaid		1,408,328
Total patient accounts receivable		9,784,533
Less allowance for uncollectible accounts		4,598,902
Patient accounts receivable, net	$	5,185,631

Accounts Payable and Accrued Expenses		
Payable to suppliers and vendors	$	565,240
Accrued workers compensation		284,456
Other		5,412
	$	855,108

Accrued Salaries, Wages and Employee Benefits		
Accrued salaries	$	434,027
Sick pay		307,312
Vacation		915,756
Wthholdings and benefit accruals		492,166
	$	2,149,261

7. LONG-TERM DEBT AND LEASES

The Hospital has the following debt outstanding at December 31, 2011:

- 1993 County Hospital Refunding and Improvement Bonds, Term Bonds, 5.45% due December 1, 2013, mandatory annual redemption beginning December 1, 2009, in installments ranging from $50,000 to $65,000 plus interest.

- 1999 County Hospital Improvement Bonds, Serial Bonds, rates ranging from 3.3% to 4.65%, principal due each December 1 through 2013, ranging from $90,000 to $145,000 with interest due each June 1 and December 1.

- 1999 County Hospital Improvement Bonds, Term Bonds, 4.75% due December 1, 2019, mandatory annual redemption beginning December 1, 2014, in installments ranging from $150,000 to $190,000 plus interest.

The 1993 and 1999 bonds are un-voted general obligations of the County. The basic security for the bonds is the County's ability to levy and ad valorem tax on all real and personal property in the County.

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – (CONTINUED)

7. LONG-TERM DEBT AND LEASES - Continued

- Note payable, Hocking County Public Health Department, bi-annual payments of $14,250 due and payable each June and December through 2012. Collateralized by building with a net book value of approximately $178,000, interest per the agreement was 0% and management determined that imputed interest was immaterial.

	12/31/2010	Additions	Payments	12/31/2011	Amount due within 1 year
1993 bonds, issued July 1, 1993	$ 185,000	$ -	$ 60,000	$ 125,000	$ 60,000
1999 bonds, issued March 1, 1999	1,445,000	-	135,000	1,310,000	140,000
Bond discount	(28,499)	-	(4,769)	(23,730)	(4,770)
Note payable, December 2003	85,500	-	57,000	28,500	28,500
Capital lease obligations	1,517,762	286,651	700,095	1,104,318	680,644
	$ 3,204,763	$ 286,651	$ 947,326	$ 2,544,088	$ 904,374

In 1993, the Hospital received $3,300,000 in proceeds from the issuance of Hocking County Hospital Refunding and Improvement Bonds (Refunding and Improvement Bonds), which was used to repay $2,040,000 Hocking County Hospital Refunding Bonds (Refunding Bonds) before their scheduled maturity, repay a capital lease and construct certain Hospital improvements. The Hospital has agreed with the Hocking County Commissioners, as Trustee for the Refunding and Improvement Bonds, to maintain a minimum operating reserve of $330,000.

The Hospital leases equipment under capital lease agreements, which generally require the Hospital to pay insurance and maintenance costs. These capital leases are due in monthly installments including interest at rates ranging from approximately 2.9% to 10.4%. They expire at various dates through 2012 and are collateralized by the equipment leased.

Minimum payments on these obligations to maturity as of December 31, 2011 follow:

	Long-Term Debt		Capital Lease Obligations	
December 31,	Principal	Interest	Principal	Interest
2012	$ 223,730	$ 68,683	$ 680,644	$ 46,537
2013	205,231	58,973	256,674	25,416
2014	147,635	48,688	137,371	5,349
2015	157,635	41,563	29,629	480
2016	162,635	33,963	-	-
Thereafter	542,904	52,963	-	-
	$ 1,439,770	$ 304,833	$ 1,104,318	$ 77,782

NOTE 21–COMPONENT UNIT DISCLOSURES–HOCKING VALLEY COMMUNITY HOSPITAL–(CONTINUED)

8. LINE OF CREDIT

As of December 31, 2011, the Hospital has a $1,000,000 line of credit with a bank. The balance on the line of credit was $0 as of December 31, 2011. Interest on the line of credit is at prime plus 0.25% which at December 31, 2011 was approximately 5.50%. The loan is secured by accounts receivable with a net book value of $5,185,631.

9. PENSION PLAN

Plan Description - The Hospital contributed to the Ohio Public Employees Retirement System (OPERS), a cost sharing multiple-employer public employee retirement system. OPERS administers three separate pension plans: the Traditional Pension Plan – a cost sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, healthcare benefits and death benefits to plan members and beneficiaries. Members of the MD plan do not qualify for ancillary benefits, including post-employment health care coverage. OPERS issues a publicly available comprehensive annual financial report, which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-PERS (7377).

Funding Policy - The required, actuarially-determined contribution rates for the Hospital and for employees are 14.0% and 10.0%, respectively. The Hospital's contributions, representing 100% of employer contributions, for the last three years are as follows:

Year	Contribution
2011	$ 1,893,337
2010	$ 1,947,687
2009	$ 1,899,180

OPERS also provides post-retirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients is available. The healthcare coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB). A portion of each employer's contribution to OPERS is set aside for the funding of post-employment healthcare. The Ohio Revised Code provides statutory authority for employer contributions. The portion of the 2011 employer contribution rates of 14.0% used to fund healthcare was 4.0% through December 31, 2011. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement healthcare through their contributions to OPERS.

Hospital contributions made to fund post-employment benefits approximated $541,000 for 2011.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 was effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2007, 2008 and 2009, which allowed additional funds to be allocated to the health care plan.

NOTE 21- COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – (CONTINUED)

10. PROFESSIONAL LIABILITY INSURANCE

The Hospital has professional liability insurance with a commercial carrier. Coverage is $1,000,000 per occurrence and $3,000,000 in the aggregate. In addition, the Hospital has umbrella coverage of $2,000,000 per occurrence and $2,000,000 in the aggregate. The policy also requires that certain members of the medical staff carry professional liability coverage of no less than $1,000,000 per occurrence and $3,000,000 in the aggregate. The Hospital's coverage is on a claims made basis.

11. DEFERRED COMPENSATION

Employees of the Hospital may elect to participate in the Ohio Public Employees Deferred Compensation Program (Program), a deferred compensation plan under Internal Revenue Code Section 457. Under the Program, employees may elect to defer a portion of their pay until a later date, usually after retirement. The deferred pay and any income earned thereon are not subject to federal and state income taxes until actually received by the employee.

12. RELATED PARTIES

The Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation) was organized as a separate not-for-profit membership corporation. The purpose of the Foundation is to solicit gifts for the benefit of the Hospital. The Board of Directors of the Foundation is elected by the Foundation's members. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the Hospital in amounts and in periods determined by the Foundation's Board of Trustees, who may also restrict the use of such funds for Hospital property and equipment replacement, expansion or other specific purposes. Because management believes the resources of the Foundation are significant to the Hospital, the Foundation is considered a component unit of the Hospital. The Hospital has not discretely presented the Foundation's financial statements as required by accounting principles generally accepted in the United States of America. The following summarized condensed financial statements are for information purposes only.

The Foundation is the controlling member of the Hocking Valley Health Services (HVMG). The financial statements of the Foundation do not include the assets, obligations, revenues or expenses of HVMG.

NOTE 21-COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITA –(CONTINUED)

12. RELATED PARTIES - Continued

Hocking Valley Community Hospital Memorial Fund, Inc. (the Foundation)
Unaudited Condensed Balance Sheet
December 31, 2011

ASSETS	
Current assets	
Cash and cash equivalents	$ 613,220
Investments	735,452
Property and equipment, net	561,297
Total assets	$ 1,909,969
Current liabilities	
Total liabilities	$ -
Total net assets	1,909,969
Total liabilities and net assets	$ 1,909,969

Unaudited Condensed Statement of Activities
December 31, 2011

Total support	$ 223,901
Expenses	58,756
Donations and pledges to the Hospital	95,000
Increase in net assets	70,145
Net assets, beginning of year	1,839,824
Net assets, end of year	$ 1,909,969

The Hospital entered into a 10 year non-cancelable lease with the Foundation for the Medical Arts Building that expires in September 2018. The Hospital is responsible for utilities, taxes, maintenance and insurance in addition to the rental payments of $6,256 per month. Future minimum rental payments for the year ending December 31, follows:

2012	$ 75,072
2013	75,072
2014	75,072
2015	75,072
2016	75,072
Thereafter	131,376
Total future minimum lease payments	$ 506,736

NOTE 21- COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – (CONTINUED)

12. RELATED PARTIES - Continued

Hocking Valley Health Services (HVHS) is a not-for-profit membership corporation located in Logan, Ohio. The purpose of HVHS is to provide healthcare and physician services and to own, lease, operate and/or provide healthcare facilities for the promotion of health in the area served by the Hospital. Additionally, HVHS is to conduct strategic healthcare planning and otherwise operate exclusively for the benefit and support of the Board of Governors of the Hospital. The Board of Trustees of HVHS are elected by HVHS's members of whom fifty percent of the voting rights are controlled by the Board of Governors of the Hospital.

Hocking Valley Medical Group, Inc. (HVMG) was organized as a separate not-for-profit stock professional corporation. The purpose of HVMG is to engage in the practice, and to render the professional services, of medicine and to further the charitable purposes of the Foundation and the Hospital. At December 31, 2007, the sole shareholder of HVMG has entered an agreement with the Foundation and HVMG that states the shares of HVMG will be voted as directed by the Foundation. The accompanying financial statements do not include the assets, obligations, revenues or expenses of HVMG.

During the year ended December 31, 2011, the Hospital disbursed funds totaling $2,209,900, on behalf of HVMG to fund operating deficits. This amount was paid to the Foundation due to the nature of the control the Foundation has over HVMG. There were no amounts due to or from HVMG at December 31, 2011.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

As permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, effective January 1, 2008, the Hospital adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 defines fair value as the price that would be received for an asset or paid to transfer a liability to (an exit price) in an orderly transaction between market participants at the measurement date. FAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level I prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of net assets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investment securities and assets limited as to use are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are reassured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows: adjusted for the security's credit rating. Level 1 securities include those traded by dealers or brokers in active over-the-counter markets and money market funds.

NOTE 21- COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – (CONTINUED)

13. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The table below presents the recorded amount of assets measured at fair value on a recurring basis.

	Total at December 31, 2011	Fair Value Measurements Using: Level 1	Level 2	Level 3
Assets:				
Cash equivalent investments and assets limited as to use	$ 1,642,482	$ 1,642,842	$ -	$ -

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC.

As indicated in Note 1 to the basic financial statements, the following disclosures are made on behalf of Hocking Valley Industries, Inc. as of December 31, 2011:

NOTE A ORGANIZATION AND OPERATIONS

Hocking Valley Industries, Inc. (hereafter referred to as "the Agency") is incorporated in the State of Ohio. The Agency provides employment opportunities and habilitation programming for the mentally and physically handicapped through a sheltered workshop and cleaning and lawn care services provided to local businesses and government.

NOTE B ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The financial statement presentation follows the recommendations of the FASB Accounting Standards Codification Financial Accounting Statements of Not-for-Profit Organizations. Under this standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets that are subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

There were no temporarily or permanently restricted net assets as of December 31, 2011.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC. - Continued

NOTE B ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Agency considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect form outstanding balances. Management considers accounts receivable to be fully collectable; accordingly, no allowance for doubtful accounts is reported. Management establishes an allowance for doubtful accounts when it determines amounts become uncollectible.

Inventory

Inventory consists primarily of janitorial and contract supplies and is priced at cost, principally first in, first out.

Property and Equipment

Property and equipment is stated at cost and includes expenditures for new equipment and those which significantly extend the useful lives of existing equipment. Maintenance, repairs and renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and allowance for depreciation are removed from respective accounts and any gain or loss is included in the statement of unrestricted revenues and expenses and changes in unrestricted net assets.

Depreciation

Depreciation is computed using the accelerated cost recovery system and the modified accelerated depreciation system (straight-line) as appropriate. The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation expense was $9,211 for the year ended December 31, 2011.

Presentation of Sales Tax

The State of Ohio and counties within the State impose a sales tax on all of the Agency’s sales to non-exempt customers. The Agency collects the sales tax from customers and remits the entire amount to the State. The Agency’s accounting policy is to exclude the tax collected and remitted to the State from revenue and cost of sales.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was $140 for the year ended December 31, 2011.

Income Taxes

The Agency follows accounting rules that prescribe when to recognize and how to measure the financial effects, if any, of income tax positions taken or expected to be taken on its income tax returns, including the position that the Agency continues to qualify to be treated as non-for-profit organization exempt from income tax provisions. Management is required to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

The Agency is a not-for –profit voluntary agency exempt from income tax under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been made in the financial statements. The Agency’s informational returns for tax years 2008 and beyond remain subject to examination by Internal Revenue Service.

The Agency did not have unrecognized tax benefits as of December 31, 2011 and does not expect this to change significantly over the next 12 months. The Agency will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2011, the Agency has not accrued interest or penalties related to uncertain tax positions.

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC. - Continued

NOTE B ACCOUNTING POLICIES (Continued)

Financial Instruments and Credit Risk

The carrying amounts of cash and cash equivalents, accounts receivable, deposits, accounts payable, accrued payroll and related taxes, and note payable approximate fair value.

Financial instruments that potentially subject the Agency to concentrations of credit risk consist of cash balances that at times exceed federally insured limits. Management believes it is not exposed to any significant credit risk on its cash balances.

Subsequent Events

Management has evaluated subsequent events through June 7, 2012, the date that the financial statements were available to be issued.

NOTE C FUNCTIONAL EXPENSES

The costs of providing the Agency's various programs and supporting services have been summarized on a functional basis in the statement of activities. Expenses are charged directly to program, management and general, or fundraising based on a combination of specific identification and allocation by management.

NOTE D RELATED PARTY TRANSACTIONS

Leases

The Agency is a component unit of the Hocking Valley Board of Developmental Disabilities (169 Board), and the Agency leases its premises from the 169 Board. The rental fees were waived by the 169 Board for 2011.

IN-KIND CONTRIBUTIONS

In-kind contributions represent the value of salaries, administrative services, and capital costs provided by 169 Board in the amount of $390,995 for the year ended December 31, 2011. The Agency recognizes this as revenue and corresponding expense on the statements of activities.

Other Related Party Transactions

Expenses are paid by the Agency in the amount of $12,021 for the year ended December 31, 2011. The Agency receives grants and is reimbursed for these expenses by the 169 Board which is recorded as revenue in the amount $62,094 for the year ended December 31, 2011. The Agency provided cleaning services to the 169 Board during 2011 in the amount of $46,669 of which the Accounts Receivable balance due from the 169 Board was $7,226 as of December 31, 2011. Accounts payable for expense reimbursement due to the 169 Board consists of $1,626 as of December 31, 2011.

NOTE E NOTES PAYABLE

During 2009, the Agency purchased a shredder that they financed through Citizens Bank of Logan in the amount of $11,900, due in 60 monthly installments of $236.13 with interest at an annual rate of 6.99%, due July 27, 2014 and secured by the shredder purchased.

	2011
	6,672
Total	6,672
Less Current Portion	2,284
Note Payable	$ 4,388

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC. - Continued

NOTE E NOTES PAYABLE (Continued)

Future maturities of notes payable are as follows:

Year Ended December 31,	Amount
2012	$ 2,284
2013	2,623
2014	1,765
	$ 6,672

NOTE F CASH TO ACCRUAL ADJUSTMENT

The financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) to be consistent with the 169 Board. In 2010, the financial statements had been prepared using the modified cash basis of accounting. In order to properly reflect activity in the current year's financial statements, beginning net assets have been restated for various accruals at January 1, 2011.

Beginning net assets as previously reported	$ 145,766
Adjustment for 2010 accounts receivable	113,937
Adjustment for 2010 accounts payable	(5,816)
Adjustment for 2010 sales tax payable	(492)
Adjustment for 2010 accrued payroll and related taxes	(5,864)
Beginning net assets, as restated	$ 247,531

Schedule of Federal Awards Expenditures

For the Year Ended December 31, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Agriculture			
Passed through the Ohio Department of Job & Family Services			
Food Stamp Cluster			
State Admin Matching Grants for Food Stamp Program	(1)	10.561	199,317
Total Food Stamp Cluster			199,317
Total US Department of Agriculture			199,317
U.S. Department of Education			
Passed through the State Department of Education			
ARRA Special Education - Grants for Infants and Families	(1)	84.393	16,106
Total U.S. Department of Education			16,106
U.S. Department of Health and Human Services			
Passed through the Ohio Department of Job & Family Services			
Social Services Block Grant	(1)	93.667	367,123
Passed through the State Department of MRDD			
Social Services Block Grant	(1)	93.667	26,428
Total Social Service Block Grant			393,551
Passed through the Ohio Department of Job & Family Services			
Medical Assistance Program - Senior Center	(1)	93.778	280,911
Medical Assistance Program	(1)	93.778	19,186
Passed through the State Department of MRDD			
Medical Assistance Program	(1)	93.778	246,229
ARRA Medical Assistance Program	(1)	93.778	34,554
Passed through Children Services			
Medicaid	(1)	93.778	3,371
Total Medicare Cluster			584,251
Passed through the Ohio Department of Job & Family Services			
Targeted Case Management	(1)	93.044	41,662
Passed through Ohio Rehabilitation Services Commission:			
Lifeworks Grant	(1)	84.126	320,401
Bridges to Transition Grant	(1)	84.126	252,267
Total passed throught Ohio Rehabilitation Services Commission			572,668
CCDF Cluster:			
Child Care Development Block Grant	(1)	93.575	22,606
Child Care Mandatory & Matching Funds	(1)	93.596	14,018
Total CCDF Cluster			36,624
TANF Cluster:			
TANF	(1)	93.558	1,000,655
Total TANF Cluster			1,000,655
Promoting Safe and Stable Families	(1)	93.556	43,483
Child Support Enforcement	(1)	93.563	255,915
Child Abuse and Neglect	(1)	93.590	1,960
Child Welfare Services State Grant	(1)	93.645	30,594
Foster Care Title VI-E	(1)	93.658	142,047
Foster Care Title VI-E Administration and Training	(1)	93.658	55,037
Adoption Assistance Title VI-E	(1)	93.659	95,287
Adoption Assistance Title VI-E - Administration and Training	(1)	93.659	131,269
Federal Chaffee	(1)	93.674	3,947
SCHIP	(1)	93.767	5,860
Home Choice - JEVS	(1)	93.791	11,126
Passed through the Substance Abuse and Mental Health Services Administration			
SPE Grant	(1)	93.243	269,325
Passed throught Ohio University			
LAUNCH	(1)	93.243	18,165
Total U.S. Department of Health and Human Services			3,693,426

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Homeland Security			
Passed through the Ohio Emergency Management Agency			
Emergency Management Performance Grants	2010-EP-00-003	97.042	32,388
Homeland Security Grant Program	2008-GE-T8-0025	97.067	4,750
Homeland Security Grant Program	2010-SS-T0-0012	97.067	44,454
Total Homeland Security Grants			49,204
Total U.S. Department of Homeland Security			81,592
U.S. Department of Housing and Urban Development			
Passed through the Ohio Department of Development/State's Program			
Community Development Block Grants:			
FY10 CDBG Formula	B-F-10-IBH-1	14.228	32,900
FY09 CHIP	B-C-09-IBH-1	14.228	50,122
Total Community Development Block Grants			83,022
09 HOME Investment Partnerships Program	B-C-09-IBH-2	14.239	319,705
Total HOME Investment Partnerships Program			319,705
Total U.S. Department of Housing and Urban Development			402,727
U.S. Department of Justice			
Crime Victim Assistance	Vagene 220	16.582	33,180
Reclaiming Futures	DC-BX-0020	16.585	442,133
Drug Court Discretionary Grant Program	DC-BX-0020	16.585	67,881
Total Reclaiming Futures Program			510,014
Passed through Ohio Office of Criminal Justice Services			
Edward Byrne Justice Assistance Grant Formula Program	JG-A02-6834	16.738	41,479
Edward Byrne Justice Assistance Grant Formula Program	JG-A02-9282	16.738	25,000
Edward Byrne Justice Assistance Grant Formula Program	JG-LLE-5121A	16.738	14,563
Total Edward Byrne Justice Assistance Grants			81,042
Total U.S. Department of Justice			624,236
U.S. Department of Labor			
Passed through the Ohio Department of Job and Family Services			
Workforce Initiative Allocation - Adult	(1)	17.258	78,978
Workforce Initiative Allocation - Administration Adult	(1)	17.258	31,098
Workforce Initiative Allocation - Youth Activities	(1)	17.259	100,760
Workforce Initiative Allocation - Dislocated Workers	(1)	17.260	144,972
ARRA Workforce Initiative Allocation - Dislocated Workers	(1)	17.260	63,979
Total Workforce Initiative Allocation Cluster			419,787
Total U.S. Department of Labor			419,787

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Transportation			
Passed through the Ohio Department of Transportation			
State and Community Highway Safety	HVEO2010-37	20.600	19,822
Bridge Inspections STW 2010 CEAO Load Ratings #2		20.205	5,568
Passed through the Ohio Emergency Management Agency			
Hazardous Materials Emergency	(1)	20.703	2,706
Total U.S. Department of Transportation			28,096
Total Federal Expenditures			$5,465,287

(1) - Passthrough entity number not available
(2) - Direct from the federal government

See accompanying notes to the schedule of federal awards expenditures.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included in the schedule.

NOTE C - COMMUNITY DEVELOPMENT GRANT PROGRAM

Hocking County administers a loan program with funds provided by the U.S. Department of Housing and Urban Development, through the Ohio Department of Development, under the Community Development Block CHIP Grant Program. The purpose of this program is to provide loans to low and moderate income families for building improvements. The loans are provided as declining mortgage loans with the intent that they do not have to repay the loans unless they leave the residence before ten years. As of December 31, 2011, the total amount of loans outstanding was $622,160.

NOTE D – MEDICAID MAC/WAC

During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA #93.778) in the amount of $168,003. The deferred payment was for Medicaid Administrative Claiming (MAC) and Waiver Administrative Claiming (WAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid Eligibility Rate (MER) for certain activity codes within MAC/WAC. This revenue is not listed on the County's Schedule of Federal Awards since the underlying expenses occurred in prior reporting periods.

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards

Board of Commissioners
Hocking County, Ohio
1 East Main Street
Logan, OH 43138

We have audited the financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, ant the discretely presented component units of Hocking County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 28, 2012, wherein we noted the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not audit the financial statements of Hocking Valley Community Hospital or Hocking Valley Industries Inc., which were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for Hocking Valley Community Hospital and Hocking Valley Industries Inc., is solely based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting, that we consider a material weakness, as defined above.

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Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

J.L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 28, 2012

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Commissioners
Hocking County, Ohio
1 East Main Street
Logan, OH 43138

Compliance

We have audited the compliance of Hocking County, Ohio (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with a federal program compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

We intend this report solely for the information and use of the Board of Commissioners, management, federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

J.L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 28, 2012, except as to the HOME Investments Partnerships
Program (CFDA 14.239) which is as of August 14, 2012.

A. SUMMARY OF AUDITOR'S RESULTS

1.	***Type of Financial Statement Opinion***	Unqualified
2.	***Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?***	No
3.	***Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?***	No
4.	***Was there any material noncompliance reported at the financial statement level (GAGAS)?***	No
5.	***Were there any material internal control weaknesses reported for major federal programs?***	No
6.	***Were there any other significant deficiencies in internal control reported for major federal programs?***	No
7.	***Type of Major Programs' Compliance Opinion***	Unqualified
8.	***Are there any reportable findings under § .510?***	No
9.	***Major Programs (list):***	Medicare Cluster CFDA #93.778 Foster Care Title VI-E CFDA #93.658 Rehabilitation Services-Vocational Rehabilitation Grant CFDA #84.126 HOME Investment Partnerships Program CFDA #14.239
10.	***Dollar Threshold: Type A/B Programs***	Type A: >$300,000 Type B: All Other Programs
11.	***Low Risk Auditee?***	Yes

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

There were none.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were none.

HOCKING COUNTY FINANCIAL CONDITION

HOCKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 18, 2013