Financial Condition
Hocking County
Single Audit
For the Year Ended December 31, 2012

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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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 Hocking County prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2012 through December 31, 2012. 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 20, 2013

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Hocking County Financial Condition
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hocking County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hocking Valley Community Hospital or Hocking Valley Industries, Inc., which are discretely presented component units and which represent 100% of the discretely presented component units. Those 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 the Hocking Valley Community Hospital and Hocking Valley Industries, Inc. is based solely 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Hocking Valley Industries, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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 reports of other auditors. The Hocking Valley Community Hospital auditors reported an adverse opinion on the discretely presented component unit due to the omission of the Hocking Valley Community Hospital Memorial Fund, Inc. which accounting principles generally accepted in the United States of America require the Hospital to discretely present.

Adverse Opinion

In our opinion, based on the report of other auditors, because of the omission of the discretely presented component unit of Hocking Valley Community Hospital, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units, as of December 31, 2012 and the respective changes in financial position for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hocking County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Motor Vehicle Gas Tax Fund, Human Services Fund, Board of Development Disabilities Fund, and Emergency Medical Services Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during 2012, the County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 inquiries 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 us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2013 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide on opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

July 19, 2013

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, 2012. 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 2012 are as follows:

Overall:

Total net position increased $512,306 primarily due to governmental activities changes.

Total revenue was $25,103,770 in 2012.

Total program expenses were $24,591,464 in 2012.

Long term debt and other obligations increased to $2,158,903 in 2012 from $2,071,681 in 2011. The increase was due primarily to additional indebtedness and refinancing which was partially offset by debt service principal payments.

Governmental Activities:

Liabilities and deferred inflows decreased $568,636 from 2011, while total assets increased by $1,097,422.

Total revenue was $24,926,396 in 2012, while program expenses were $24,397,610.

Program expenses were primarily composed of human services, health, public works, public safety, legislative and executive, and judicial where expenses were $5,812,823, $5,216,650, $4,175,503, $3,644,386, $3,022,582, and $1,996,190, respectively, in 2012.

Business-Type Activities:

Program revenues were $177,374 for business-type activities, while corresponding expenses were $193,854.

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 position and statement of activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term 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, the Emergency Medical Services Fund, and the Sewer Fund are the major funds for the County.

Reporting the County as a Whole

Statement of Net Position 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 2012?" The statement of net position and the statement of activities answer this question. These statements include *all assets, liabilities, and deferred inflows and outflows of resources* 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 position* and changes in net position. This change in net position 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 position and the statement of activities, the County is divided into two distinct kinds of activities:

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

- 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 9. 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. The County's major enterprise fund is the Sewer 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 position 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 position provides the perspective of the County as a whole. Table 1 provides a summary of the County's net position for 2012 compared to the prior year:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Totals	
Assets	2012	2011	2012	2011	2012	2011
Current & Other Assets	$ 21,919,413	$ 22,031,524	$ 200,475	$ 173,443	$ 22,119,888	$ 22,204,967
Capital Assets, Net	24,811,880	23,602,347	1,201,698	1,258,680	26,013,578	24,861,027
Total Assets	46,731,293	45,633,871	1,402,173	1,432,123	48,133,466	47,065,994
Liabilities						
Long-Term Liabilities	1,710,428	1,608,758	448,475	462,923	2,158,903	2,071,681
Current and Other Liabilities	1,264,883	1,505,509	3,733	2,755	1,268,616	1,508,264
Total Liabilities	2,975,311	3,114,267	452,208	465,678	3,427,519	3,579,945
Deferred Inflows of Resources						
Taxes	5,823,935	5,116,343	-	-	5,823,935	5,116,343
Net Position						
Net Investment in Capital Assets	23,891,891	22,844,459	758,498	804,880	24,650,389	23,649,339
Restricted	10,184,909	11,268,489	-	-	10,184,909	11,268,489
Unrestricted	3,855,247	3,290,313	191,467	161,565	4,046,714	3,451,878
Total Net Position	$ 37,932,047	$ 37,403,261	$ 949,965	$ 966,445	$ 38,882,012	$ 38,369,706

Total assets increased by $1,067,472. The primary reasons for the increase in total assets are increases in taxes receivable, and depreciable capital assets. Capital assets in the governmental activities increased $1,209,533 from 2011 to 2012, due to additions which were partially offset by disposals and depreciation expense. Capital assets in the business-type activities decreased $56,982 from 2011 to 2012, primarily due to depreciation expense.

Business-type revenues of $177,374 were insufficient to cover expenses of $193,854 resulting in a decrease in net position of $16,480 from 2011 to 2012.

Total liabilities for governmental activities decreased $138,956 as a result of debt payments and the implementation of new GASB pronouncements. Deferred inflows of resources increased as a result of the GASB pronouncement implementations (see Note 20 for additional information). Total liabilities of business-type activities decreased $13,470 due mainly to current year debt payments, which was partially offset by incurring new debt.

Table 2 shows the changes in net position for fiscal year 2012 and 2011.

Table 2
Changes in Net Position

	2012			2011		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues:						
Charges for Services and Sales	$ 3,983,552	$ 153,116	$ 4,136,668	$ 3,293,726	$ 156,432	$ 3,450,158
Operating Grants and Contributions	7,736,719	4,537	7,741,256	11,524,675	-	11,524,675
Capital Grants and Contributions	2,429,197	19,721	2,448,918	435,377	19,130	454,507
Total Program Revenues	14,149,468	177,374	14,326,842	15,253,778	175,562	15,429,340
General Revenues:						
Property Taxes	4,785,669	-	4,785,669	5,203,895	-	5,203,895
Sales Taxes	3,325,171	-	3,325,171	3,066,855	-	3,066,855
Grants and Entitlements	1,246,162	-	1,246,162	1,120,243	-	1,120,243
Other Taxes	808,246	-	808,246	778,720	-	778,720
Interest Earnings	90,263	-	90,263	244,180	-	244,180
Miscellaneous	521,417	-	521,417	924,730	-	924,730
Total General Revenues	10,776,928	-	10,776,928	11,338,623	-	11,338,623
Total Revenues	24,926,396	177,374	25,103,770	26,592,401	175,562	26,767,963
Program Expenses						
General Government:						
Legislative and Executive	3,022,582	-	3,022,582	2,915,575	-	2,915,575
Judicial	1,996,190	-	1,996,190	2,038,093	-	2,038,093
Public Safety	3,644,386	-	3,644,386	3,685,285	-	3,685,285
Public Works	4,175,503	-	4,175,503	4,290,537	-	4,290,537
Health	5,216,650	-	5,216,650	5,091,229	-	5,091,229
Human Services	5,812,823	-	5,812,823	6,212,127	-	6,212,127
Economic Development and Assistance	297,077	-	297,077	922,280	-	922,280
Conservation and Recreation	198,499	-	198,499	225,893	-	225,893
Interest and Fiscal Charges	33,900	-	33,900	24,901	-	24,901
Wastewater Treatment	-	193,854	193,854	-	186,716	186,716
Total Expenses	24,397,610	193,854	24,591,464	25,405,920	186,716	25,592,636
Change in Net Position	528,786	(16,480)	512,306	1,186,481	(11,154)	1,175,327
Net Position - Beginning of Year	37,403,261	966,445	38,369,706	36,216,780	977,599	37,194,379
Net Position - End of Year	$ 37,932,047	$ 949,965	$ 38,882,012	$ 37,403,261	$ 966,445	$ 38,369,706

Governmental net position increased $528,786 from 2011 to 2012. Total governmental activities revenues decreased $1,666,005 due primarily to decreases in operating grants and contributions of $3,787,956, and miscellaneous revenues of $403,313. These decreases were partially offset by increases in capital grants and contributions of $1,993,820, and charges for services of $689,826 as well as other less significant changes. These increases were due to reclassed revenues from miscellaneous revenue and from increased intergovernmental revenue spent on behalf of the County for capital improvements. The decrease in operating grants and contributions was primarily due to decreases in the Clean Ohio, Reclaiming Futures and Pathways Two programs. These were partially offset by increases in the MR/DD Permanent Improvement program.

Total governmental activities expenses decreased $1,008,310 primarily due to decreases in expenses for economic development of $625,203, and human services of $399,304. These decreases were partially offset by increases in expenses for health of $125,421. The decrease in economic development was due to decreased operating grants and contributions within the Clean Ohio Fund.

For business-type activities, charges for services and sales decreased $3,316, operating grants and contributions increased $4,537, and wastewater treatment expenses increased $7,138, resulting in a decrease in net position of $16,480.

The County receives diverse types of revenues to provide for the vast number of programs provided by the County. Operating grants and contributions provide 31% of total revenues for governmental activities. Property taxes and sales taxes provide 19% and 13% 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 21%, 17%, 15% and 12%, 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	
	2012	2011	2012	2011
General Government - Legislative and Executive	$ 3,022,582	$ 2,915,575	$ 2,024,944	$ 2,469,457
General Government - Judicial	1,996,190	2,038,093	1,431,494	1,129,591
Public Safety	3,644,386	3,685,285	1,445,792	1,976,199
Public Works	4,175,503	4,290,537	329,889	318,391
Health	5,216,650	5,091,229	2,232,208	2,985,618
Human Services	5,812,823	6,212,127	2,443,200	1,032,780
Economic Development and Assistance	297,077	922,280	143,724	40,048
Conservation and Recreation	198,499	225,893	162,991	175,157
Interest and Fiscal Charges	33,900	24,901	33,900	24,901
Total Expenses	$ 24,397,610	$ 25,405,920	$ 10,248,142	$ 10,152,142

58% of governmental activities are supported through program revenues.

Business-Type Activities

Business-type activities include wastewater treatment.

Overall net position decreased $16,480 from 2011 to 2012. Charges for services and sales accounted for 86% of total revenues of $177,374.

The County's Funds

Information about the County's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of $27,876,559 and expenditures and other uses of $28,398,484. The net change in fund balance for the year was most significant in the General Fund, which experienced an increase in fund balance of $369,465 primarily due to increases in intergovernmental revenue of $95,776 and taxes of $149,909, which are partially offset by decreases in interest revenues of $119,839, and increase in judicial expenditures of $224,112.

The Motor Vehicle Gas Tax Fund experienced an increase in fund balance of $64,795 due to revenues exceeding expenditures.

The Board of Developmental Disabilities experienced a decrease in fund balance of $285,367 due to expenditures exceeding revenues. The Human Services Fund experienced a decrease in fund balance of $184,676.

The Emergency Medical Services Fund experienced a decrease in fund balance of $344,510 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 2012 the County amended its General Fund budget numerous times, none significant.

For the General Fund, budget basis actual revenue and other financing sources were $7,491,518, above final budget estimates of $6,109,595. Of this difference, tax revenue and transfers made the majority of this difference.

Budget basis actual expenditures and other financing uses were $7,478,890, below final budget estimates of $7,598,992 which resulted in a $120,102 difference. Total actual expenditures and other financing uses on the budget basis were $12,628 below revenues and other financing sources.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2012 the County had $26,013,578 (net of accumulated depreciation) invested in construction in progress, land, land improvements, buildings, machinery and equipment, vehicles, infrastructure, a wastewater treatment plant and collection system; $24,811,880 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 2012 and 2011 balances by governmental activities and business-type activities:

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

	2012	2011
Land	$ 811,350	$ 811,350
Construction in Progress	119,434	-
Land Improvements	44,169	50,240
Buildings	2,999,318	1,896,320
Machinery and Equipment	1,929,636	1,988,066
Vehicles	1,491,238	1,260,799
Infrastructure	17,416,735	17,595,572
Total	$ 24,811,880	$ 23,602,347

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

	2012	2011
Land	$ 29,000	$ 29,000
Wastewater Treatment Plant	87,466	107,972
Collection System	1,085,232	1,121,708
Total	$ 1,201,698	$ 1,258,680

Debt

At December 31, 2012 the County had $840,068 in governmental activities bonds and long-term notes, $126,826 due within one year. At December 31, 2012, the County had $443,200 in business-type activity bonds, $11,300 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

	2012	2011
General Obligation Bonds	$ -	$ 160,000
Long Term Notes	821,968	576,688
Special Assessment Bonds	18,100	21,200
Total	$ 840,068	$ 757,888

Table 6
Outstanding Debt At December 31
Business-Type Activities

	2012	2011
Revenue Bonds	$ 443,200	$ 453,800

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.

Hocking County

Statement of Net Position

As of December 31, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Hospital	Adult Activities Workshop
Assets					
Equity in Pooled Cash and Cash Equivalents	$ 12,007,997	$ 172,669	$ 12,180,666	$ -	$ -
Cash, Cash Equivalents and Investments in Segregated Accounts	-	-	-	727,115	89,971
Receivables:					
Taxes	6,947,172	-	6,947,172	-	-
Accounts, Net	40,339	27,806	68,145	4,611,143	32,440
Interest	1,924	-	1,924	-	-
Special Assessments	20,092	-	20,092	-	-
Intergovernmental	2,598,467	-	2,598,467	-	-
Materials and Supplies Inventory	303,422	-	303,422	304,862	3,145
Prepaid Items	-	-	-	485,662	-
Asset whose use is limited:					
Under bond indenture agreement	-	-	-	330,000	-
Unamortized Financing Costs	-	-	-	22,754	-
Deposits	-	-	-	-	994
Nondepreciable Capital Assets	930,784	29,000	959,784	754,180	-
Depreciable Capital Assets, Net	23,881,096	1,172,698	25,053,794	10,194,165	40,595
Total Assets	46,731,293	1,402,173	48,133,466	17,429,881	167,145
Liabilities					
Accounts Payable	197,213	883	198,096	2,151,563	759
Accrued Wages and Benefits Payable	406,872	1,527	408,399	1,187,591	22,890
Sales Tax Payable	-	-	-	-	315
Intergovernmental Payable	660,798	1,323	662,121	-	-
Self Insurance Liability	-	-	-	330,377	-
Estimated Third-Party Payor Settlements	-	-	-	362,049	-
Line-of-Credit	-	-	-	300,000	-
Long-Term Liabilities:					
Due Within One Year	257,690	11,668	269,358	1,176,381	2,623
Due in More Than One Year	1,452,738	436,807	1,889,545	2,720,043	1,615
Total Liabilities	2,975,311	452,208	3,427,519	8,228,004	28,202
Deferred Inflows of Resources					
Property Taxes Not Levied to Finance Current Year Operations	5,823,935	-	5,823,935	-	-
Net Position					
Net Investment in Capital Assets	23,891,891	758,498	24,650,389	8,268,809	-
Restricted for:					
Debt Service	45,958	-	45,958	330,000	-
Capital Projects	922,939	-	922,939	-	-
Hocking County 911	822,345	-	822,345	-	-
Senior Citizens	384,494	-	384,494	-	-
Motor Vehicle Gas Tax	2,950,659	-	2,950,659	-	-
Children Services	94,106	-	94,106	-	-
Family and Children First	152,877	-	152,877	-	-
Board of Developmental Disabilities	1,702,722	-	1,702,722	-	-
Emergency Medical Services	692,622	-	692,622	-	-
Real Estate Assessment	1,091,230	-	1,091,230	-	-
Other Purposes	1,324,957	-	1,324,957	-	-
Unrestricted	3,855,247	191,467	4,046,714	603,068	138,943
Total Net Position	$ 37,932,047	$ 949,965	$ 38,882,012	$ 9,201,877	$ 138,943

See accompanying notes to the basic financial statements.

Hocking County

Statement of Activities

For the Year Ended December 31, 2012

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	$ 3,022,582	$ 455,527	$ 542,111	$ -
Judicial	1,996,190	308,362	256,334	-
Public Safety	3,644,386	1,536,444	662,150	-
Public Works	4,175,503	253,232	1,163,185	2,429,197
Health	5,216,650	636,741	2,347,701	-
Human Services	5,812,823	726,518	2,643,105	-
Economic Development and Assistance	297,077	31,220	122,133	-
Conservation and Recreation	198,499	35,508	-	-
Interest and Fiscal Charges	33,900	-	-	-
Total Governmental Activities	24,397,610	3,983,552	7,736,719	2,429,197
Business-Type Activities				
Wastewater Treatment	193,854	153,116	4,537	19,721
Total Business-Type Activities	193,854	153,116	4,537	19,721
Total Primary Government	$ 24,591,464	$ 4,136,668	$ 7,741,256	$ 2,448,918
Component Units				
Hospital	$ 36,198,777	$ 32,209,992	$ -	$ -
Adult Activities Workshop	837,560	417,070	370,426	-
Total Component Units	$ 37,036,337	$ 32,627,062	$ 370,426	$ -

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

Gain on Sale of Capital Assets

Noncapital Grants and Contributions

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

continued

Net (Expense) Revenue and Changes in Net Position			Component Units	
Governmental Activities	**Business-Type Activities**	**Total**	**Hospital**	**Adult Activities Workshop**
$ (2,024,944)	$ -	$ (2,024,944)	$ -	$ -
(1,431,494)	-	(1,431,494)	-	-
(1,445,792)	-	(1,445,792)	-	-
(329,889)	-	(329,889)	-	-
(2,232,208)	-	(2,232,208)	-	-
(2,443,200)	-	(2,443,200)	-	-
(143,724)	-	(143,724)	-	-
(162,991)	-	(162,991)	-	-
(33,900)	-	(33,900)	-	-
(10,248,142)	-	(10,248,142)	-	-
-	(16,480)	(16,480)	-	-
-	(16,480)	(16,480)		
(10,248,142)	(16,480)	(10,264,622)		
			(3,988,785)	-
			-	(50,064)
			(3,988,785)	(50,064)
1,798,118	-	1,798,118	-	-
2,987,551	-	2,987,551	-	-
2,594,227	-	2,594,227	-	-
730,944	-	730,944	-	-
808,246	-	808,246	-	
1,246,162	-	1,246,162	-	-
90,263	-	90,263	7,107	275
-	-	-	182,224	600
-	-	-	259,751	-
521,417	-	521,417		-
10,776,928	-	10,776,928	449,082	875
528,786	(16,480)	512,306	(3,539,703)	(49,189)
37,403,261	966,445	38,369,706	12,741,580	188,132
$ 37,932,047	$ 949,965	$ 38,882,012	$ 9,201,877	$ 138,943

Hocking County
Balance Sheet
Governmental Funds
As of December 31, 2012

	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	$ 3,363,077	$ 1,203,118	$ 65,281	$ 1,491,337	$ 666,647	$ 5,218,537	$ 12,007,997
Receivables:							
Taxes	2,609,371	-	-	1,958,440	1,969,545	409,816	6,947,172
Accounts, Net	-	-	-	-	40,339	-	40,339
Accrued Interest	1,924	-	-	-	-	-	1,924
Intergovernmental	488,081	1,655,120	-	278,683	54,334	122,249	2,598,467
Interfund	32,300	-	-	-	-	-	32,300
Special Assessments	-	-	-	-	-	20,092	20,092
Due from Other Funds	-	-	-	3,126	-	-	3,126
Materials and Supplies Inventory	14,263	287,734	1,425	-	-	-	303,422
Total Assets	$ 6,509,016	$ 3,145,972	$ 66,706	$ 3,731,586	$ 2,730,865	$ 5,770,694	$ 21,954,839
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts Payable	$ 35,592	$ 25,463	$ 17,541	$ 12,477	$ 2,228	$ 103,912	$ 197,213
Accrued Wages and Benefits Payable	118,502	40,581	44,185	54,954	58,841	89,809	406,872
Due to Other Funds	-	-	-	-	-	3,126	3,126
Intergovernmental Payable	111,308	37,755	47,217	68,380	84,964	311,174	660,798
Interfund Payable	-	-	-	-	-	32,300	32,300
Total Liabilities	265,402	103,799	108,943	135,811	146,033	540,321	1,300,309
Deferred Inflows of Resources							
Property Taxes Not Levied to Finance Current Year Operations	$ 1,995,174	$ -	$ -	$ 1,792,278	$ 1,802,440	$ 234,043	$ 5,823,935
Unavailable Revenues - Delinquent Taxes	184,973	-	-	166,162	167,105	21,698	539,938
Unavailable Revenues - Special Assessments	-	-	-	-	-	20,092	20,092
Unavailable Revenues - Grants	268,747	1,116,525	-	108,657	54,334	14,830	1,563,093
Total Deferred Inflows of Resources	2,448,894	1,116,525	-	2,067,097	2,023,879	290,663	7,947,058
Fund Balances							
Nonspendable	146,982	287,734	1,425	-	-	-	436,141
Restricted	-	1,637,914	-	1,528,678	560,953	4,978,052	8,705,597
Assigned	391,414	-	-	-	-	-	391,414
Unassigned	3,256,324	-	(43,662)	-	-	(38,342)	3,174,320
Total Fund Balances	3,794,720	1,925,648	(42,237)	1,528,678	560,953	4,939,710	12,707,472
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,509,016	$ 3,145,972	$ 66,706	$ 3,731,586	$ 2,730,865	$ 5,770,694	$ 21,954,839

See accompanying notes to the basic financial statements.

Hocking County
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
As of December 31, 2012

Total Governmental Fund Balances		$	12,707,472
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			24,811,880
Certain receivables reported as revenues on the statement of activities are not available to pay for current period expenditures and therefore are reported as deferred inflows in the funds.			
Taxes	539,938		
Intergovernmental	1,563,093		
Special Assessments	20,092		
Total			2,123,123
Long-term liabilities, including bonds, notes, capital leases 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	(790,439)		
Long Term Notes	(821,968)		
Special Assessment Bonds	(18,100)		
Capital Lease Obligations	(79,921)		
Total			(1,710,428)
Net Position of Governmental Activities		$	37,932,047

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, 2012

	General	Motor Vehicle Gas Tax	Human Services	Board of Developmental Disabilities	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	$ 4,502,092	$ -	$ -	$ 1,624,377	$ 976,737	$ 1,774,018	$ 8,877,224
Intergovernmental	933,006	3,782,819	2,329,946	1,232,104	110,989	3,142,320	11,531,184
Charges for Services	1,146,200	133,507	339,781	179,411	486,070	583,511	2,868,480
Fees, Licenses and Permits	69,613	-	-	-	-	86,228	155,841
Fines and Forfeitures	164,121	26,262	-	-	-	680,915	871,298
Special Assessments	-	-	-	-	-	3,541	3,541
Interest	89,456	807	-	-	-	-	90,263
Miscellaneous	63,588	86,634	87,130	68,656	-	279,709	585,717
Total Revenues	6,968,076	4,030,029	2,756,857	3,104,548	1,573,796	6,550,242	24,983,548
Expenditures							
Current:							
General Government:							
Legislative and Executive	2,028,783	-	-	-	-	1,064,712	3,093,495
Judicial	1,510,371	-	-	-	-	488,432	1,998,803
Public Safety	2,241,745	-	-	-	-	1,306,863	3,548,608
Public Works	85,828	2,310,933	-	-	-	125,364	2,522,125
Health	72,002	-	-	3,013,413	1,727,672	283,743	5,096,830
Human Services	260,514	-	2,665,654	-	-	3,001,163	5,927,331
Conservation and Recreation	198,499	-	-	-	-	-	198,499
Economic Development and Assistance	54,274	-	-	-	-	242,628	296,902
Capital Outlay	82,705	1,586,807	-	27,439	190,634	1,102,269	2,989,854
Debt Service:							
Principal	24,973	92,347	-	5,250	-	433,899	556,469
Interest and Fiscal Charges	497	2,523	-	1,252	-	29,628	33,900
Total Expenditures	6,560,191	3,992,610	2,665,654	3,047,354	1,918,306	8,078,701	26,262,816
Excess of Revenues Over (Under) Expenditures	407,885	37,419	91,203	57,194	(344,510)	(1,528,459)	(1,279,268)
Other Financing Sources/(Uses)							
Proceeds from Notes Issued	-	-	-	-	-	520,000	520,000
Issuance of OWDA Loans	-	-	-	-	-	88,426	88,426
Proceeds from Sale of Capital Assets	11,397	27,376	-	-	-	-	38,773
Inception of Capital Lease	82,705	-	-	27,439	-	-	110,144
Transfers In	750,000	-	106,663	-	-	1,279,005	2,135,668
Transfers Out	(882,522)	-	(382,542)	(370,000)	-	(500,604)	(2,135,668)
Total Other Financing Sources/(Uses)	(38,420)	27,376	(275,879)	(342,561)	-	1,386,827	757,343
Net Changes in Fund Balances	369,465	64,795	(184,676)	(285,367)	(344,510)	(141,632)	(521,925)
Fund Balances Beginning of Year	3,425,255	1,860,853	142,439	1,814,045	905,463	5,081,342	13,229,397
Fund Balances End of Year	$ 3,794,720	$ 1,925,648	$ (42,237)	$ 1,528,678	$ 560,953	$ 4,939,710	$ 12,707,472

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, 2012

Net Change in Fund Balances - Total Governmental Funds		$	(521,925)
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	3,407,155		
Current Year Depreciation	(1,840,111)		
Total			1,567,044
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. These are proceeds from the sale of capital assets and the amount of the loss on the disposal of capital assets.			
Proceeds from Sale of Capital Assets	(38,773)		
Loss on Disposal of Capital Assets	(318,738)		
Total			(357,511)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Taxes	41,862		
Intergovernmental	(119,106)		
Special Assessments	20,092		
Total			(57,152)
Proceeds from the issuance of long-term notes and loans in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.			(608,426)
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.			526,246
Repayment of capital leases obligations 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.			30,223
New capital lease obligations in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.			(110,144)
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	60,431		
Total			60,431
Net Change in Net Position of Governmental Activities		$	528,786

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, 2012

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	$ 4,022,700	$ 4,022,700	$ 4,506,267	$ 483,567
Charges for Services	895,830	895,830	957,266	61,436
Fees, Licenses and Permits	1,500	1,500	1,550	50
Fines and Forfeitures	150,050	150,050	159,337	9,287
Intergovernmental	807,300	807,300	935,553	128,253
Interest	125,000	125,000	104,850	(20,150)
Other	41,260	94,715	50,072	(44,643)
Total Revenues	6,043,640	6,097,095	6,714,895	617,800
Expenditures				
Current:				
General Government:				
Legislative and Executive	1,937,497	1,970,401	1,929,024	41,377
Judicial	1,360,505	1,602,853	1,595,167	7,686
Public Safety	2,370,899	2,373,454	2,345,913	27,541
Public Works	32,975	77,813	76,193	1,620
Health	73,212	72,593	71,531	1,062
Human Services	305,722	304,181	265,385	38,796
Conservation and Recreation	196,800	198,499	198,499	-
Community and Economic Development	57,129	57,862	54,295	3,567
Debt Service:				
Principal Retirements	-	24,973	24,973	-
Interest	-	497	497	-
Total Expenditures	6,334,739	6,683,126	6,561,477	121,649
Excess of Revenues Over (Under) Expenditures	(291,099)	(586,031)	153,418	739,449
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	-	-	11,397	11,397
Transfers In	2,500	2,500	730,000	727,500
Advances In	10,000	10,000	33,047	23,047
Transfers Out	(570,981)	(915,866)	(855,566)	60,300
Advances Out	-	-	(61,847)	(61,847)
Other Financing Sources	-	-	2,179	2,179
Total Other Financing Sources (Uses)	(558,481)	(903,366)	(140,790)	762,576
Net Change in Fund Balance	(849,580)	(1,489,397)	12,628	1,502,025
Fund Balance at Beginning of Year	2,666,886	2,666,886	2,666,886	-
Prior Year Encumbrances Appropriated	129,694	129,694	129,694	-
Fund Balance at End of Year	$ 1,947,000	$ 1,307,183	$ 2,809,208	$ 1,502,025

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, 2012

	Budgeted Amounts			Variance with Final Budget:
	Original	Final	Actual	Positive (Negative)
Revenues				
Charges for Services	$ 100,100	$ 100,100	$ 133,507	$ 33,407
Fines and Forfeitures	39,000	39,000	26,297	(12,703)
Intergovernmental	3,380,000	3,380,000	3,363,887	(16,113)
Interest	1,000	1,000	807	(193)
Other	35,000	62,376	86,634	24,258
Total Revenues	3,555,100	3,582,476	3,611,132	28,656
Expenditures				
Current:				
Public Works	1,919,117	2,465,021	2,042,232	422,789
Capital Outlay	1,547,983	1,592,309	1,592,309	-
Debt Service:				
Principal Retirements	95,000	92,347	92,347	-
Interest and Fiscal Charges	-	2,653	2,523	130
Total Expenditures	3,562,100	4,152,330	3,729,411	422,919
Excess of Revenues Over (Under) Expenditures	(7,000)	(569,854)	(118,279)	451,575
Other Financing Sources:				
Transfers In	7,000	7,000	-	(7,000)
Proceeds of Sale of Capital Assets	-	-	27,376	27,376
Total Other Financing Sources	7,000	7,000	27,376	20,376
Net Change in Fund Balance	-	(562,854)	(90,903)	471,951
Fund Balance at Beginning of Year	1,016,233	1,016,233	1,016,233	-
Prior Year Encumbrances Appropriated	204,647	204,647	204,647	-
Fund Balance at End of Year	$ 1,220,880	$ 658,026	$ 1,129,977	$ 471,951

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, 2012

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Charges for Services	$ 339,662	$ 339,662	$ 339,781	$ 119
Intergovernmental	2,492,207	2,812,535	2,527,775	(284,760)
Other	2,404,645	451,888	87,130	(364,758)
Total Revenues	5,236,514	3,604,085	2,954,686	(649,399)
Expenditures				
Current:				
Human Services	2,289,033	2,785,776	2,785,776	-
Total Expenditures	2,289,033	2,785,776	2,785,776	-
Excess of Revenues Over (Under) Expenditures	2,947,481	818,309	168,910	(649,399)
Other Financing Sources (Uses):				
Transfers In	400,000	400,000	106,663	(293,337)
Transfers Out	-	(382,542)	(382,542)	-
Total Other Financing Sources (Uses)	400,000	17,458	(275,879)	(293,337)
Net Change in Fund Balance	3,347,481	835,767	(106,969)	(942,736)
Fund Balance at Beginning of Year	83,118	83,118	83,118	-
Prior Year Encumbrances Appropriated	23,851	23,851	23,851	-
Fund Balance at End of Year	$ 3,454,450	$ 942,736	$ -	$ (942,736)

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, 2012

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$ 1,464,863	$ 1,464,863	$ 1,624,377	$ 159,514
Charges for Services	179,411	179,411	179,411	-
Intergovernmental	1,430,816	1,430,816	1,285,888	(144,928)
Other	221,935	221,935	68,656	(153,279)
Total Revenues	3,297,025	3,297,025	3,158,332	(138,693)
Expenditures				
Current:				
Health	3,184,403	3,270,280	3,152,091	118,189
Debt Service:			-	
Principal Retirements	5,250	5,250	5,250	-
Interest & Fiscal Charges	1,252	1,252	1,252	-
Total Expenditures	3,190,905	3,276,782	3,158,593	118,189
Excess of Revenues Under Expenditures	106,120	20,243	(261)	(20,504)
Other Financing Sources (Uses):				
Transfers Out	(82,000)	(370,000)	(370,000)	-
Advances In	-	-	325,000	325,000
Total Other Financing Sources (Uses)	(82,000)	(370,000)	(45,000)	325,000
Net Change in Fund Balance	24,120	(349,757)	(45,261)	304,496
Fund Balance at Beginning of Year	1,412,379	1,412,379	1,412,379	-
Prior Year Encumbrances Appropriated	33,705	33,705	33,705	-
Fund Balance at End of Year	$ 1,470,204	$ 1,096,327	$ 1,400,823	$ 304,496

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, 2012

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$ 969,000	$ 969,000	$ 976,737	$ 7,737
Charges for Services	400,000	400,000	500,827	100,827
Intergovernmental	140,000	140,000	110,989	(29,011)
Total Revenues	1,509,000	1,509,000	1,588,553	79,553
Expenditures				
Current:				
Health	1,927,866	2,118,974	1,877,701	241,273
Capital Outlay	190,634	190,634	190,634	-
Total Expenditures	2,118,500	2,309,608	2,068,335	241,273
Net Change in Fund Balance	(609,500)	(800,608)	(479,782)	320,826
Fund Balance at Beginning of Year	749,598	749,598	749,598	-
Prior Year Encumbrances Appropriated	210,184	210,184	210,184	-
Fund Balance at End of Year	$ 350,282	$ 159,174	$ 480,000	$ 320,826

See accompanying notes to the basic financial statements.

Hocking County
Statement of Fund Net Position
Proprietary Fund
As of December 31, 2012

Assets	**Sewer Fund**
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$ 172,669
Accounts Receivable (net of allowance, where applicable)	27,806
Total Current Assets	200,475
Noncurrent Assets	
Non-depreciable Capital Assets	29,000
Depreciable Capital Assets, Net	1,172,698
Total Noncurrent Assets	1,201,698
Total Assets	1,402,173
Liabilities	
Current Liabilities	
Accounts Payable	883
Accrued Wages and Benefits Payable	1,527
Intergovernmental Payable	1,323
Compensated Absences - Current	368
Revenue Bonds - Current	11,300
Total Current Liabilities	15,401
Noncurrent Liabilities	
Compensated Absences - Net of Current	4,907
Revenue Bonds - Net of Current	431,900
Total Noncurrent Liabilities	436,807
Total Liabilities	452,208
Net Assets	
Net Investment in Capital Assets	758,498
Unrestricted	191,467
Total Net Position	$ 949,965

See accompanying notes to the basic financial statements.

Hocking County

Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2012

	Sewer Fund
Operating Revenues	
Charges for Services	$ 153,116
Total Operating Revenues	153,116
Operating Expenses	
Salaries and Wages	36,938
Fringe Benefits	13,801
Contractual Services	44,984
Depreciation	56,982
Materials and Supplies	10,324
Other	8,006
Total Operating Expenses	171,035
Operating Loss	(17,919)
Nonoperating Expenses	
Interest and Fiscal Charges	(22,819)
Total Nonoperating Expenses	(22,819)
Change in Net Position Before Capital Contributions	(40,738)
Capital Contributions - Assessments	19,721
Capital Contributions - Intergovernmental	4,537
Total Capital Contributions	24,258
Change in Net Position	(16,480)
Net Position at Beginning of Year	966,445
Net Position at End of Year	$ 949,965

See accompanying notes to the basic finanical statements.

Hocking County

Statement of Cash Flows

Proprietary Fund

For the Year Ended December 31, 2012

	Sewer Fund
Increase in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 150,726
Cash Payments to Suppliers for Goods and Services	(54,425)
Cash Payments for Other Operating Expenses	(8,006)
Cash Payments to Employees for Services and Benefits	(54,492)
Net Cash Provided by Operating Activities	33,803
Cash Flows from Capital and Related Financing Activities:	
Capital Contributions- Intergovernmental	4,537
Capital Contributions- Special Assessments	19,721
Principal Payments	(10,600)
Interest Payments	(22,819)
Net Cash Used by Capital and Related Financing Activities	(9,161)
Net Increase in Cash and Cash Equivalents	24,642
Cash and Cash Equivalents at Beginning of Year	148,027
Cash and Cash Equivalents at End of Year	$ 172,669
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	$ (17,919)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	56,982
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(2,390)
Decrease in Intergovernmental Payable	(132)
Decrease in Compensated Absences	(3,848)
Increase in Accrued Wages and Benefits Payable	227
Increase in Accounts Payable	883
Total Adjustments	51,722
Net Cash Provided by Operating Activities	$ 33,803

See accompanying notes to the basic financial statements.

Hocking County

Statement of Fiduciary Assets and Liabilities

Agency Funds

As of December 31, 2012

Assets		
Equity in Pooled Cash and Cash Equivalents	$	2,932,326
Cash and Cash Equivalents in Segregated Accounts		341,227
Taxes Receivable		19,839,227
Intergovernmental Receivable		1,372,957
Total Assets	$	24,485,737
Liabilities		
Due to Other Governments	$	24,059,055
Undistributed Monies		426,682
Total Liabilities	$	24,485,737

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 Units: 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 24 and 25 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 and a 10-bed geriatric 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 is associated with certain organizations, three of which are defined as jointly governed organizations, and one joint venture. These organizations are presented in Notes 16 and 17 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

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.

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

The statement of net position 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, other financial resources, and deferred outflows of resources, together with all related liabilities, deferred inflows of resources, 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 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, debt service and capital projects.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2012. 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the County are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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, deferred outflows of resources, current liabilities, and deferred inflows of resources 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 position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 inflows of resources, 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 receives 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, 2012. Therefore six months of receivables have been recorded for these revenue types.

Deferred Outflows and Deferred Inflows of Resources

As more fully described in Note 20 to the basic financial statements, the County has implemented both GASB Statement No. 63 and GASB Statement No. 65, effective for fiscal year 2012. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The County did not have any deferred outflows as of December 31, 2012. The County also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the County these amounts consist of special assessments which are not collected in the available period, and intergovernmental receivables which are not collected in the available period. Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance fiscal year 2013 operations, have also been recorded as deferred inflows of resources.

The difference between deferred inflows on the statement of net position and the balance sheet is due to property taxes, intergovernmental grants, and special assessments not received during the available period. These were reported as revenues on the statement of activities and not recorded as deferred inflows on the statement of net position.

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.

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

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.

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. The County Commissioners legally enacted several supplemental appropriation resolutions during the year. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represented the final appropriation amounts passed by the Commissioners during the year.

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 position. 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 2012, the County had no investments.

Interest is distributed to the General Fund and the Motor Vehicle Gas Tax Fund. The interest earned during 2012 amounted to $89,456 and $807 respectively.

Restricted Assets: Assets are reported as restricted when 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. On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund assets and liabilities within governmental activities are eliminated on the statement of net position.

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

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 position 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 position 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.

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

Land and construction in progress are 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.

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

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.

Net Position: Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and the effect of deferred outflows and inflows related to the acquisition, construction or improvement of those assets.

Net position is 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 position 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 position are available. Of the County's restricted net position, 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 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 remove or change 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.

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

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.

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) for the General fund and all major Special Revenue Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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.

NOTE 3 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS – (CONTINUED)

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	$ 369,465	$ 64,795	$ (184,676)	$ (285,367)	$ (344,510)
Increases (Decreases) Due to:					
Revenue Accruals	(131,050)	(418,897)	197,829	26,345	14,757
Expenditure Accruals	61,365	336,340	(120,122)	(20,727)	36,618
Advances In	33,047	-	-	325,000	-
Advances Out	(61,847)	-	-	-	-
Encumbrances	(202,927)	(73,141)	-	(90,512)	(186,647)
Perspective Difference:					
Activity of Funds Reclassified					
For GAAP Reporting Purposes					
Non-Budgeted Funds	(55,425)	-	-	-	-
Budget Basis	$ 12,628	$ (90,903)	$ (106,969)	$ (45,261)	$ (479,782)

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;

NOTE 4 - DEPOSITS AND INVESTMENTS – (CONTINUED)

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

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 $15,756,451 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 and public utility 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.

Public utility real 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 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 and public utility taxes that were measurable and unpaid as of December 31, 2012. 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 2012 operations. The receivable is therefore offset by a credit to deferred inflows of resources. On the modified accrual basis, the entire receivable is deferred inflows of resources.

The full tax rate for all County operations for the year ended December 31, 2012, was $11.20 per $1,000 of assessed value. The assessed values of real property upon which 2012 property tax receipts were based are as follows:

Real Estate	
Residential/Agricultural	$465,761,490
Commercial/Industrial	49,267,450
Public Utilities	95,080
Minerals	629,330
Tangible Personal Property	
Public Utilities	57,664,160
Total Property Taxes	$573,417,510

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 2012 amounted to $2,594,227.

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 2012 amounted to $730,944.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance at January 1, 2012	Additions	Deletions	Balance at December 31, 2012
Governmental Activities				
Non-Depreciable Capital Assets				
Land	$ 811,350	$ -	$ -	$ 811,350
Construction In Progress	-	119,434	-	119,434
Total Non-Depreciable Capital Assets	811,350	119,434	-	930,784
Depreciable Capital Assets				
Land Improvements	84,839	-	-	84,839
Buildings	2,949,090	1,221,316	-	4,170,406
Infrastructure	29,055,174	1,311,800	(566,959)	29,800,015
Vehicles	3,347,005	497,126	(369,810)	3,474,321
Machinery and Equipment	4,563,315	257,479	(137,482)	4,683,312
Total Depreciable Capital Assets	39,999,423	3,287,721	(1,074,251)	42,212,893
Less Accumulated Depreciation for				
Land Improvements	(34,599)	(6,071)	-	(40,670)
Buildings	(1,052,770)	(118,318)	-	(1,171,088)
Infrastructure	(11,459,602)	(1,204,599)	280,921	(12,383,280)
Vehicles	(2,086,206)	(209,034)	312,157	(1,983,083)
Machinery and Equipment	(2,575,249)	(302,089)	123,662	(2,753,676)
Total Accumulated Depreciation	(17,208,426)	(1,840,111)	716,740	(18,331,797)
Total Depreciable Capital Assets, Net	22,790,997	1,447,610	(357,511)	23,881,096
Governmental Activities Capital Assets, Net	$ 23,602,347	$ 1,567,044	$ (357,511)	$ 24,811,880

NOTE 7 - CAPITAL ASSETS – (CONTINUED)

	Balance at January 1, 2012	Additions	Deletions	Balance at December 31, 2012
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	(241,534)	(20,506)	-	(262,040)
Collection System	(691,177)	(36,476)	-	(727,653)
Total Accumulated Depreciation	(932,711)	(56,982)	-	(989,693)
Total Depreciable Capital Assets, Net	1,229,680	(56,982)	-	1,172,698
Business Type Activities Capital Assets, Net	$ 1,258,680	$ (56,982)	$ -	$ 1,201,698

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	$ 106,249
Judical	22,383
Public Safety	187,948
Public Works	1,376,685
Health	105,004
Human Services	41,842
Total Depreciation Expense - Governmental Activities	$ 1,840,111

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	$ 198,999
Homestead Rollback	137,961
Other	151,121
Total General Fund	488,081
Motor Vehicle Gas Tax	
License, Gasoline & Permissive Taxes	1,644,787
Other	10,333
Total Motor Vehicle Gas Tax	1,655,120
Board of Developmental Disabilities	
Grants and Entitlements	170,026
Homestead Rollback	108,657
Total Board of Developmental Disablilities	278,683
Emergency Medical Services	
Homestead Rollback	54,334
Total Emergency Medical Services	54,334
Total Major Funds	2,476,218
Other Governmental Funds	
Grants and Entitlements	107,419
Homestead Rollback	14,830
Total Other Governmental Funds	122,249
Total Intergovernmental Receivables	
Governmental Funds	$ 2,598,467
Agency Funds	
License, Gasoline and Permissive Taxes	$ 457,623
Undivided Library Tax	406,314
Local Government	390,195
Other	118,825
Total Agency Funds	$ 1,372,957

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 $2,500 of any valid claim, except for electrical substations, transformers, and deep well pumps for which the deductible is $10,000. 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 2012, Hocking County paid $132,801 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.

NOTE 10 - DEFINED BENEFIT RETIREMENT PLAN – (CONTINUED)

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, by 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 2012, member and employer contribution rates were consistent across all three plans. While members in state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2012, 2011, and 2010 member contribution rates were 10.0%, 10.0%, and 10.0%, respectively, for members in state and local classifications and 11.5% and 12.10%, 11.0% and 11.6%, and 10.5% and 11.1%, respectively for members in public safety and law enforcement. Effective January 1, 2013, the member contribution rates for public safety and law enforcement members increased to 12.0% and 12.6% respectively.

The 2012, 2011 and 2010 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%, 18.10%, and 17.87%, respectively.

The County's contributions to OPERS for the years ended December 31, 2012, 2011, and 2010, were $1,442,139, $1,496,126, and $1,437,885, respectively. 88.8% has been contributed for 2012 and 100% for years 2011 and 2010. Of the 2012 amount, $161,112 was unpaid at December 31, 2012 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, 2012, 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.

NOTE 11 - POST EMPLOYMENT BENEFITS – (CONTINUED)

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 , by 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 coverage.

Employer contributions are expressed as a percentage of the covered payroll of active members. In 2012, 2011, and 2010, 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%, 18.10%, and 17.87%, respectively. These are the maximum employer contribution rates permitted by the Ohio Revised Code. 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 Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For calendar years 2012 and 2011, the employer contribution allocated to the health care plan was 4.0%. The portion of employer contributions allocated to healthcare for members in the Combined Plan was 6.05% during calendar years 2012 and 2011. 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. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retirees 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 $479,094, $495,745, and $605,616, for 2012, 2011 and 2010 respectively. 88.8% has been contributed for 2012 and 100% for years 2011 and 2012. Of the 2012 amount, $60,426 was unpaid at December 31, 2012 and is recorded as a liability within the respective funds.

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

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 12/31/2011	Increases	Decreases	Outstanding 12/31/2012	Due Within One Year
General Obligation Bonds:					
1998 - 3.8 - 5.35% (original issue $750,000)					
Consolidated County Building Bonds	$ 160,000	$ -	$ 160,000	$ -	$ -
Total General Obligation Bonds	160,000	-	160,000	-	-
Long-Term Notes:					
2003 - 4.15% (Original Issue $277,692)					
Juvenile Detention Facility Note	192,694	-	12,689	180,005	13,238
2004 - 5.5% (Original Issue $175,000)					
Columbus Gas Building Note	133,748	-	133,748	-	-
2012 - 2.75% (Original Issue $520,000)					
Logan-Health Department	-	520,000	22,710	497,290	46,415
2007 - 0.00% (Original Issue $34,734)					
OPWC Note - TR 317 Bridge Replacement	10,420	-	6,947	3,473	3,473
2010 - 0.00% (Original Issue $202,000)					
OPWC Note - CR 33A Bridge Replacement	161,600	-	40,400	121,200	40,400
2008 - 3.9% (Original Issue $100,000)					
Citizens Bank Note - Gradall Hydraulic Excavator	40,000	-	20,000	20,000	20,000
2008 - 4.5% (Original Issue $20,000)					
Citizens Bank Note - Dog Warden Truck	5,000	-	5,000	-	-
2008 - 4.0% (Original Issue $14,394)					
Citizens Bank Note - Copiers	8,226	-	8,226	-	-
OWDA Loan - 2012 HSTS Project	-	88,426	88,426	-	-
2009 - 3.75% (Original Issue $75,000)					
Citizens Bank Note - New Holland Front End Loader	25,000	-	25,000	-	-
Total Long-Term Notes	576,688	608,426	363,146	821,968	123,526
Special Assessment Bonds:					
1996 - 5.5% (Original Issue $53,500)					
Rockbridge Sewer Special Assessment Bonds	21,200	-	3,100	18,100	3,300
Total Special Assessment Bonds	21,200	-	3,100	18,100	3,300
Capital Leases	-	110,144	30,223	79,921	27,663
Compensated Absences	850,870	955,402	1,015,833	790,439	103,201
Total General Long-Term Obligations	$ 1,608,758	$ 1,673,972	$ 1,572,302	$ 1,710,428	$ 257,690
Enterprise Funds					
1996 - 4.5% (Original Issue $333,000					
Rockbridge Sanitary Sewer Revenue Bonds	$ 279,400	$ -	$ 5,800	$ 273,600	$ 6,200
1991 - 5.875% (Original Issue $227,000)					
Haydenville Sewer FmHA Revenue Bonds	174,400	-	4,800	169,600	5,100
Total Revenue Bonds	453,800	-	10,600	443,200	11,300
Compensated Absences	9,123	6,376	10,224	5,275	368
Total Enterprise Fund	$ 462,923	$ 6,376	$ 20,824	$ 448,475	$ 11,668

NOTE 13 - LONG-TERM DEBT – (CONTINUED)

The County has pledged future special assessment revenues to repay $18,100 (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 $20,613. Principal and interest paid for the current year and total special assessment revenues were $4,054, and $3,541.

The County has pledged future sewer customer revenues, net of specified operating expenses, to repay $273,600 and $169,600 (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 $747,237. Principal and interest paid for the current year and total customer net revenues were $33,419 and $39,064, 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, Board of Developmental Disabilities Fund, and the Emergency Medical 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 were repaid during 2012.

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 is being 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 is being 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 was repaid during 2012. The third note was in the amount of $14,394 at 4.0% interest for the purpose of purchasing copiers. The note was repaid during 2012.

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 was repaid during 2012.

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 is being repaid from the Motor Vehicle Gas Tax Fund.

During 2012, the County issued an OWDA loan in the amount of $88,426 for the Home Sewage Treatment System (HSTS) project. The OWDA loan was paid in 2012 by grant funding from the American Reinvestment and Recovery Act.

During 2012, the County issued $520,000 in long term notes for the purpose of making improvements to a building at a 2.75% interest rate. The notes are being repaid from the debt service 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:

	Logan-Health Department Notes		Special Assessment Bonds		Sanitary Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 46,415	$ 13,523	$ 3,300	$ 815	$ 11,300	$ 22,276
2014	47,716	12,222	3,500	666	11,800	21,697
2015	49,054	10,884	3,600	509	12,400	21,092
2016	50,402	9,536	3,800	347	13,000	20,456
2017	51,842	8,096	3,900	176	13,700	19,788
2018-2022	251,861	18,060	-	-	80,000	87,584
2023-2027	-	-	-	-	102,700	64,708
2028-2032	-	-	-	-	117,300	35,153
2033-2037	-	-	-	-	81,000	11,283
Totals	$ 497,290	$ 72,321	$ 18,100	$ 2,513	$ 443,200	$ 304,037

	TR317 Bridge Replacement		Gradall Hydraulic Excavator	
	Principal	Interest	Principal	Interest
2013	$ 3,473	$ -	$ 20,000	$ 791
Totals	$ 3,473	$ -	$ 20,000	$ 791

	Juvenile Detention Facility Notes		CR33A Bridge Replacement OPWC	
	Principal	Interest	Principal	Interest
2013	$ 13,238	$ 7,470	$ 40,400	$ -
2014	13,787	6,921	40,400	-
2015	14,359	6,349	40,400	-
2016	14,940	5,768	-	-
2017	15,575	5,133	-	-
2018-2022	88,113	15,423	-	-
2023-2024	19,993	830	-	-
Totals	$ 180,005	$ 47,894	$ 121,200	$ -

Hocking Valley Community Hospital is responsible for the debt service on the 1993 Hospital Refunding and Improvement Bonds and the 1999 County Hospital Refunding and Improvement Bonds. 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 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2012 the County entered into a capital lease for copiers, a mail machine, and two dodge chargers. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

The capital assets acquired by the leases have been capitalized in the statement of net position for governmental activities in the amount of $110,144 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2012 totaled $30,223 in the governmental funds. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2012.

Fiscal Year Ending June 30,	Amount
2013	$ 34,312
2014	34,312
2015	11,182
2016	9,555
2017	2,338
Total	91,699
Less Amount Representing Interest	(11,778)
Present Value of Net Minimum Lease Payments	$ 79,921

NOTE 15 - INTERFUND TRANSACTIONS

As of December 31, 2012, 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. These will be repaid in fiscal year 2013. Due to Other/From Other Funds balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payment is made.

	Interfund Payables	Interfund Receivables	Due to Other Funds	Due From Other Funds
Major Fund:				
General	$ -	$ 32,300	$ -	$ -
Board of Developmental Disablilities	-	-	-	3,126
Total Major Fund	-	32,300	-	3,126
Non-Major Special Revenue Funds:				
Hocking County Integrated	3,000	-	-	-
Help Me Grow	-	-	3,126	
JAG	29,300	-	-	-
Total Non-Major Special Revenue Funds	32,300	-	3,126	-
Total All Funds	$ 32,300	$ 32,300	$ 3,126	$ 3,126

NOTE 15 - INTERFUND TRANSACTIONS - (CONTINUED)

Fund Type/Fund	Transfers In	Transfers Out
Major Funds		
General Fund	$ 750,000	$ 882,522
Human Services	106,663	382,542
Board of Developmental Disablilities	-	370,000
Total Major Funds	856,663	1,635,064
Other Governmental Funds		
Non-Major Special Revenue Funds		
Hocking County DHS/CSEA	27,830	385,000
Children's Services	212,500	14,741
Senior Citizens	-	50,000
Hocking County Emergency Mgmt	20,792	-
Total Non-Major Special Revenue Funds	261,122	449,741
Non-Major Capital Projects Funds		
DD Permanent Improvement Fund	370,000	-
Human Services Construction Fund	-	14,638
County Permanent Improvement Fund	400,000	-
Capital Projects - SHSC	50,000	-
Total Non-Major Capital Projects Funds	820,000	14,638
Non-Major Debt Service Funds		
Childrens Services Building Bond Retirement Fund	140,995	-
General Obligation Debt Fund	24,708	-
Human Services Building Bond Retirement	32,180	36,225
Total Non-Major Debt Service Funds	197,883	36,225
Total Other Governemental Funds	1,279,005	500,604
Total All Funds	$ 2,135,668	$ 2,135,668

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. The transfer from the Human Services Construction Fund to the Human Services Building Bond Retirement Fund was to close out the fund. The transfer from the Human Services Building Bond Retirement Fund to the Human Services Fund was to close out the fund. The transfer from the Human Services Building Bond Retirement Fund to the Human Services Fund was to close out that fund. The transfers of $385,000 from the Hocking County DHS/CSEA Fund and $365,000 from the Human Services Fund were to the General Fund. These transfers were permitted by the State Department of Jobs and Family Services as these monies had no State or Federal restrictions and were not needed to meet obligations of the funds.

NOTE 16- 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 based 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 17 – 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 2012, contributed $559,899 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 18 – 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 19 – 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, 2012, the outstanding balance on this loan was $52,784. 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 20 – CHANGES IN ACCOUNTING PRINCIPLES

For 2012 the County implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES - (CONTINUED)

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of these GASB Statements had no impact on beginning of year fund balance/net position.

NOTE 21 – 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	$ 132,719	$ -	$ -	$ -	$ -	$ -	$ 132,719
Materials & Supplies Inventories	14,263	287,734	1,425	-	-	-	303,422
Total of Nonspendable	146,982	287,734	1,425	-	-	-	436,141
Restricted For:							
Debt Service	-	-	-	-	-	25,866	25,866
Capital Projects	-	-	-	-	-	922,939	922,939
Children Services	-	-	-	-	-	164,734	164,734
Family and Children First	-	-	-	-	-	152,877	152,877
Motor Vehicle Gas Tax	-	1,637,914	-	-	-	-	1,637,914
Senior Citizens	-	-	-	-	-	358,927	358,927
Hocking County 911	-	-	-	-	-	855,249	855,249
Law Library	-	-	-	-	-	100,062	100,062
Board of Developmental Disabilities	-	-	-	1,528,678	-	-	1,528,678
Emergency Medical Services	-	-	-	-	560,953	-	560,953
Real Estate Assessment	-	-	-	-	-	1,107,798	1,107,798
Other Purposes	-	-	-	-	-	1,289,600	1,289,600
Total Restricted	-	1,637,914	-	1,528,678	560,953	4,978,052	8,705,597
Assigned	391,414	-	-	-	-	-	391,414
Unassigned (deficit)	3,256,324	-	(43,662)	-	-	(38,342)	3,174,320
Total Fund Balances	$ 3,794,720	$ 1,925,648	$ (42,237)	$ 1,528,678	$ 560,953	$ 4,939,710	$ 12,707,472

NOTE 22 – ACCOUNTABILITY

As of December 31, 2012, the Human Services, Homeland Security, Clean Ohio Assistance, CDBG, and Drug Court Enhancement Project Special Revenue Funds had deficit cash balances in the amount of $43,662, $1,402, $972, $35,908, and $60, respectively.

NOTE 23 – SUBSEQUENT EVENT

South Central Ohio Job and Family Services – Effective January 1, 2013, the County is a participant in the South Central Ohio Job and Family Services (SCOJFS) which is a joint county department of job and family services pursuant to Chapter 329 of the Ohio Revised Code. Hocking County services previously provided through the Job and Family Service, Children Services, and Child Support Enforcement Agency departments will now be provided through the SCOJFS. The SCOJFS member counties include Hocking, Vinton, and Ross counties.

NOTE 24– 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:

Note 1. Reporting Entity

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 is considered a component unit of Hocking County, Ohio and is included as a component unit in the basic financial statements of Hocking County.

The Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation) is a legally separate not-for-profit corporation. The Foundation meets the criteria for reporting as a discretely presented component unit under GASB Statement 39 because the resources of the Foundation are almost entirely for the direct benefit of the Hospital, the Hospital has the ability to access those resources and the resources are significant to the Hospital. As further discussed in Note 12, the financial statements of the Foundation have not been presented in the Hospital's reporting entity as required under GAAP.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The Hospital reports a single business-type activity, which requires the following financial statements and management's discussion and analysis:

- Management's Discussion and Analysis
- Basic Financial Statements including a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows, for the Hospital as a whole
- Notes to Financial Statements

The Hospital is accounted for as a proprietary fund (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the Hospital's operations are included in the Statement of Net Position. Revenue is recognized in the period in which it is earned and expenses are recognized in the period in which incurred.

The Hospital's fiscal year is the calendar year. Pursuant to Ohio law, the Hospital submits a budget to the County for approval by November 1 of each year. The fundamental purpose of the budget is to plan for an expected level of operations and to provide management with a tool to control deviation from such a plan. The budget is prepared on an accrual basis.

Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Revenues, Expenses and Changes in Net Position: The Hospital recognizes as operating revenues those transactions that are major or central to the provision of health care services. Operating revenues include those revenues received for direct patient care, grants received from organizations as reimbursement for patient care, and other incidental revenue associated with patient care. Operating expenses include those costs associated with providing patient care including costs of professional care, operating the hospital facilities, administrative expenses, and depreciation and amortization. Nonoperating revenues include investment income and grants and contributions received for purposes other than capital asset acquisition. Nonoperating expenses include interest expense and expenses from funding to Hocking Valley Community Hospital Memorial Fund, Inc.

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

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

Patient accounts receivable: Patient accounts receivable are carried at the original charge less an estimate made for doubtful or uncollectible accounts and contractual allowances. Contractual allowances are recorded 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. The allowance is based upon a review of the outstanding balances aged by financial class. Management uses collection percentages based upon historical collection experience to determine collectability. Management also reviews troubled, aged accounts to determine collection potential. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third–party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is written off against the allowance for doubtful accounts. Recoveries of accounts previously written off are recorded as a reduction to bad debt expense when received. Interest is not charged on patient accounts receivable.

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

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. Expenditures for capital assets must exceed $1,000 in order for them to be capitalized. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straightline 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

Depreciation expense on capital leases is included in depreciation and amortization in the statements of revenues, expenses and changes in net position. The asset and accumulated depreciation are removed from the related accounts when the asset is disposed. Any income or loss resulting from this disposal is recorded in the statement of activities.

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. Amortization expense for deferred financing costs was $6,964 in 2012 and is included in depreciation and amortization expense in the statements of revenues, expenses and changes in net position. Accumulated amortization as of December 31, 2012 was $91,758. Accounting guidance requires amounts to be amortized utilizing the effective interest method. The difference between the two amortization methods is immaterial to the financial statements.

Costs of borrowings: Except for capital assets acquired through gifts, contributions, or 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 2012.

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

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 nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating 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 position: Net position of the Hospital is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted for debt service are noncapital net position that are set aside for bond repayment purposes, as specified by creditors of the Hospital. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted for debt service.

Risk management: The Hospital is exposed to various risks of loss related to torts; theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital is self-insured for employee health insurance. For the employee health claims, a historical analysis has been performed of incurred but not reported claims to determine the liability at December 31, 2012. For medical malpractice, the Hospital has professional liability insurance with a commercial carrier. Settled claims have not exceeded this coverage in any of the three preceding years.

Restricted Assets: Assets limited as to use consist of cash restricted by the Trustee for maintenance of a minimum operating reserve in connection with the Hospital's Refunding and Improvement Bonds.

Investments: The Hospital records its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gains and losses on investments are included in net investment income in the statement of activities.

Concentration risk: Financial instruments that potentially subject the Hospital to concentrations of credit risk consist principally of cash and cash equivalents and patient accounts receivable. The Hospital places its cash and cash equivalents with high credit quality financial institutions. Concentration of credit risk relating to patient accounts receivable is limited to some extent by the diversity and number of the Hospital's patients and payors. Patient accounts receivable consists of amounts due from government programs, commercial insurance companies, private pay patients, and other group insurance programs. Excluding governmental programs, no payor source represents more than 10% of the Hospital's patient accounts receivable. The Hospital maintains an allowance for uncollectible accounts based on the expected collectability of patient accounts receivable.

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

Upper payment limit: In September 2001, the State of Ohio Supplemental Upper Payment Limit program for Public Hospitals (UPL) was approved by the Centers for Medicare and Medicaid Services (CMS). This program provides access to available federal funding up to 100% of the Medicare upper payment limits for inpatient hospital services rendered by Ohio Public Hospitals to Ohio Medicaid consumers. The State of Ohio fiscal year 2012 budget also included an expansion of the UPL program to outpatient services for the first time. The Hospital received $301,143 in outpatient UPL payments in 2012. The net amount recorded in net patient service revenue for UPL by the Hospital was $456,358 in 2012. The State of Ohio discontinued the Program's required contributing match for participants as of June 30, 2009. Effective July 1, 2009, the State began assessing a franchise fee to hospitals to fund healthcare programs, including the UPL program. The Hospital incurred a franchise fee expense of $317,029 in 2012 and recorded the amounts in supplies and other expenses in the statement of activities. The Hospital's franchise fee liability payable to the State of Ohio at December 31, 2012 was $0.

Disproportionate share: As a public health care provider, the Hospital renders services to residents of the County and others regardless of ability to pay. The Hospital Care Assurance Program (HCAP) is the Ohio Department of Job and Family Services' mechanism for meeting the federal requirement to provide additional payments to hospitals that provide a disproportionate share of uncompensated services to the indigent and uninsured. The Hospital received additional net payments from this program totaling $95,601 in 2012, which is included in net patient service revenue. HCAP amounts are presented net of amounts received and assessments paid by the Hospital. The Hospital received $326,149 in 2012, and paid $230,548 in 2012.

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. 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. Charges forgone under the Hospital's charity care policy were $3,379,378 in 2012.

Note 3. Changes in Accounting Principles and Recent Accounting Pronouncements

GASB has issued the following statements that have been implemented by the Hospital for the year ended December 31, 2012:

Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance contained in pre- November 1989 FASB and AICPA Pronouncements*. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 62 also eliminates the election made by the Hospital under GASB Statement No. 20 – *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, to apply the provisions of all relevant pronouncements of the FASB Standards Codification, which did not conflict with or contradict GASB pronouncements.

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* was established to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This Statement also incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions, Amendment of GASB 53,* was established to enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced.

There was no significant impact to the financial statements as a result of the application of these standards.

GASB has issued the following statements not yet implemented by the Hospital:

Statement No. 61 – *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34,* modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. The Hospital is required to implement the provisions of this Statement for the year ending December 31, 2013.

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, will be effective for the Hospital beginning with the year ending December 31, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term "deferred" in financial statement presentations.

GASB Statement No. 66 – *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, will be effective for the Hospital beginning with the year ending December 31, 2013. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions,* will be effective for the Hospital beginning with the year ending June 30, 2015. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

Note 4. Deposits and Investments

Deposits

State law requires insurance or collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

Custodial credit risk: Custodial credit risk is the risk that, in the event of bank failure, the Hospital’s deposits might not be recovered. The FDIC increased insurance through December 31, 2013 for funds held in interest bearing accounts from $100,000 to $250,000 per depositor per category of legal ownership. The Hospital’s investment policy does not address custodial credit risk.

The bank balances of the Hospital’s deposits at December 31, 2012, totaled $1,491,351, and were subject to the following categories of custodial credit risk:

	2012
Uncollateralized	$ -
Collateralized with securities held by the pledging institution's trust department, but not in the Hospital's name	1,181,696
Total amount subject to custodial risk	1,181,696
Amount insured	309,655
Total bank balances	$ 1,491,351

Investments
The Hospital has adopted an investment policy that is consistent with the allowable investments provided by the Auditor of State (Ohio). The policy authorizes the Hospital to invest in the following:

- United States obligations or any other obligation guaranteed as to principal and interest by the United States.
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality.
- Interim deposits in the eligible institutions applying for interim monies as provided in Ohio Revised Code Section 135.08.
- Bonds or other obligations of the State of Ohio.
- The Ohio Subdivisions Fund (Star Ohio) as provided in Ohio Revised Code Section 135.45.
- Certificates of Deposit.

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

The Hospital's investments generally are reported at fair value, as discussed in Note 1. At December 31, 2012, 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:

		Investment Maturities	
	2012	Less than 1 Year	1-5 Years
U.S. Government Agencies			
AAA	$ 4,796	$ -	$ 4,796
Money Market Funds			
AAA	134,242	134,242	-
	$ 139,038	$ 134,242	$ 4,796

Interest Rate Risk: The Hospital's investment policies limit investment portfolios to maturities of five years or less. All of the Hospital's investments at December 31, 2012, have effective maturity dates of less than five years.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Hospital's investment policy does not address custodial credit risk.

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

Note 5. Capital Assets

Capital assets additions, retirements and balances as of and for the year ended December 31, 2012 were as follows:

2012	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 255,120	$ -	$ -	$ 255,120
Construction in progress	468,938	646,610	(616,488)	499,060
Total nondepreciated capital assets	724,058	646,610	(616,488)	754,180
Depreciable capital assets:				
Land improvements	422,678	5,207	700	428,585
Buildings and improvements	14,220,396	25,444	14,786	14,260,626
Equipment	12,046,351	1,163,999	(1,216,341)	11,994,009
Total depreciated capital assets	26,689,425	1,194,650	(1,200,855)	26,683,220
Less accumulated depreciation				
Land improvements	(301,134)	(14,758)	-	(315,892)
Buildings and improvements	(7,076,263)	(407,600)	-	(7,483,863)
Equipment	(9,457,231)	(1,046,738)	1,814,669	(8,689,300)
Total accumulated depreciation	(16,834,628)	(1,469,096)	1,814,669	(16,489,055)
Total depreciable capital assets, net	9,854,797	(274,446)	613,814	10,194,165
Total capital assets, net	$ 10,578,855	$ 372,164	$ (2,674)	$ 10,948,345

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

Total depreciation expense related to capital assets for 2012 was $1,469,096.

The cost of equipment under capital lease included in capital assets as of December 31, 2012 was as follows:

	2012
Cost of equipment under capital lease	$ 2,633,284
Accumulated amortization	(1,316,972)
Net carrying amount	$ 1,316,312

Note 6. Line of Credit

The Hospital has a $1,000,000 line of credit with a bank. The amount borrowed on the line of credit was $300,000 as of December 31, 2012. Interest on the line of credit is a variable rate equal to Prime plus .87%, which was approximately 4.12% at December 31, 2012. The loan is secured by patient accounts receivable, which have a net book value of $4,611,143 at December 31, 2012.

Note 7. Long-Term Debt and Capital Lease Obligations

Information regarding the Hospital's long-term debt and capital lease activity and balances as of and for the year ended December 31, 2012 is as follows:

	2012				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
1993 County Hospital Refunding and Improvement Bond Series	$ 125,000	$ -	$ (60,000)	$ 65,000	$ 65,000
1999 County Hospital Refunding and Improvement Bond Series	1,310,000	-	(140,000)	1,170,000	145,000
Note payable, Hocking County Public Health Department	28,500	-	(28,500)	-	-
Note payable, Hocking Valley Community Hospital Memorial Fund, Inc.	-	330,002	-	330,002	100,000
Capital lease obligations	1,104,318	851,135	(821,959)	1,133,494	484,388
	2,567,818	1,181,137	(1,050,459)	2,698,496	794,388
Bond discount	(23,730)	-	4,770	(18,960)	-
Long-term debt	$ 2,544,088	$ 1,181,137	$ (1,045,689)	$ 2,679,536	$ 794,388

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

Effective July 1, 1993, Hocking County, Ohio, acting by and through the Board of Trustees of Hocking Valley Community Hospital, issued $3,300,000 of County Hospital Refunding and Improvement Bonds (1993 Bonds). The proceeds of the 1993 Bonds were used to advance refund $2,040,000 Hocking County Refunding Bonds, repay a capital lease and construct certain Hospital improvements. The bonds bear interest at 5.45%. The bonds mature in varying amounts through December 1, 2013. The Hospital has agreed with the Hocking County Commissioners, as Trustee for the 1993 Bonds, to maintain a minimum operating reserve of $330,000.

Effective March 1, 1999, Hocking County, Ohio, acting by and through the Board of Trustees of Hocking Valley Community Hospital, issued $2,610,000 of County Hospital Improvement Bonds, Series 1999 (1999 Bonds). The proceeds of the 1999 Bonds were used to acquire and finance certain Hospital improvements. The bonds bear interest at rates ranging from 3.30% to 4.75%. The bonds mature in varying amounts each June 1 and December 1 through December 1, 2019.

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

Note payable, Hocking County Public Health Department, had bi-annual payments of $14,250 due and payable each June and December through 2012. At December 31, 2012, the note was fully repaid.

Note payable, Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation), requires quarterly payments of $25,000 from March 2013 through June 2016, when a final payment of $5,002 is due. The proceeds of the note were used to construct certain Hospital improvements. The note is uncollateralized and has a service fee payable with each quarterly payment at a rate equal to 0.25% plus the highest certificate of deposit rate of any certificate of deposit held by the Foundation. Interest per the agreement was 0% and management determined that imputed interest was immaterial.

Capital lease obligations have varying rates of imputed interest ranging from 0.6% to 18.3%. The obligations are collateralized by leased equipment and mature at varying amounts through 2017.

Long-term debt and capital lease obligation payment requirements for fiscal years subsequent to December 31, 2012, are as follows:

	Capital Lease Obligations			Long-Term Debt		
	Principal	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2013	$ 484,388	$ 63,680	$ 548,068	$ 310,000	$ 58,973	$ 368,973
2014	329,792	46,633	376,425	250,000	48,688	298,688
2015	176,083	26,216	202,299	260,000	41,563	301,563
2016	79,862	14,698	94,560	195,002	33,963	228,965
2017	63,369	3,607	66,976	175,000	26,125	201,125
2018-2019	-	-	-	375,000	26,838	401,838
	$ 1,133,494	$ 154,834	$ 1,288,328	$ 1,565,002	$ 236,150	$ 1,801,152

Bond discount	(18,960)
Total long-term debt, net	$ 1,546,042

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

Note 8. Estimated Amounts Due to Third-Party Payors

The Hospital has agreements with third-party payors that provide for payment of amounts different from established rates. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined. See Note 2 for additional information. As of December 31, 2012, the liability for estimated amounts due to third-party payors, which primarily consist of amounts related to Medicare and Medicaid programs, are as follows:

	2012
2009	$ 5,000
2010	-
2011	14,009
2012	343,040
	$ 362,049

Note 9. Other Long-Term Liabilities

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 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 18 percent of hours accrued at 50 percent of the base rate, depending on years of service in accordance with the Ohio Revised Code. Accrued sick leave is paid out upon retirement at 33 percent of accrued days, with maximum payouts of 40 to 80 days depending on years of service, for retired employees with at least 10 years of service. As of December 31, 2012, the liability for accrued vacation and sick leave was $1,216,888.

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

Other Long-Term Liabilities: Information regarding the Hospital's other long-term liabilities activity and balances as of and for the year ended December 31, 2012 is as follows:

2012	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Amounts due to third-party payors	$ 394,072	$ 343,933	$ 375,956	$ 362,049	$ 362,049
Accrued vacation	915,756	270,368	356,174	829,950	330,100
Accrued sick leave	307,312	123,542	43,916	386,938	51,893
	$ 1,617,140	$ 737,843	$ 776,046	$ 1,578,937	$ 744,042

Risk Management: The Hospital is exposed to various risks of loss related to torts; theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital is self-insured for employee health insurance. For the employee health claims, a historical analysis has been performed of incurred but not reported claims to determine the liability at December 31, 2012. For medical malpractice, the Hospital has professional liability insurance with a commercial carrier. Coverage is $1,000,000 per occurrence and $3,000,000 in the annual aggregate. In addition, the Hospital has umbrella coverage of $2,000,000 per occurrence and $2,000,000 in the annual 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 annual aggregate. The Hospital's coverage is on a claims made basis. Settled claims for medical malpractice have not exceeded insurance coverage in any of the past three years.

Losses from asserted and unasserted claims identified under the Hospital's incident reporting systems are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. There is no liability for medical malpractice at December 31, 2012, 2011 or 2010. The liability for estimated self insured employee health claims includes estimates of the ultimate costs for both reported claims and incurred but not reported claims, and at December 31, 2012, 2011 and 2010 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2012	$ 200,000	$ 3,641,131	$ 3,510,754	$ 330,377	$ 330,377
2011	325,000	2,592,966	2,717,966	200,000	200,000

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

Note 10. 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. CAH's 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 payors. A summary of the basis of reimbursement with major third-party payors 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 reimbursed based on fee schedules.

The Hospital and the Hospital's swing beds are 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 Extended Care Facility is 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.

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.

In 2012, approximately 55% of the Hospital's total net patient revenue was derived from Medicare payments while 9% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance payments and individual self payments.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Differences between the estimated amounts accrued at interim and final settlements are reported in the statement of activities in the year of settlement. The Hospital had a favorable adjustment of $22,911 to net patient service revenue in 2012, due to the removal of allowances that were no longer considered necessary based on tentative or final settlements in excess of amounts previously estimated.

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

Gross patient service revenue and the allowances to reconcile to net patient service revenue for the year ended December 31, 2012 is as follows:

		2012
Gross patient service revenue	$	73,183,132
Less third-party contractual allowances		37,876,253
Less provision for bad debts		3,392,444
Net patient service revenue	$	31,914,435

Note 11. Benefit Plans

Pension Plan: Employee retirement benefits are available for substantially all employees under three separate retirement plans administered by the Ohio Public Employees Retirement System (OPERS). The plans are the Traditional Pension Plan — a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan — a defined contribution pension plan in which the members invest both member and employee contributions (employer contributions vest over five years at 20% per year) and the Combined Plan — a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employee contributions plus any investment earnings. OPERS provides retirement, disability, survivor, and post employment healthcare benefits, to the Traditional Pension and Combined Plan members, however, healthcare benefits are not statutorily guaranteed. Participants in the Member-Directed Plan do not qualify for ancillary benefits. Information related to the OPERS as a whole is included in the County's basic financial report. A separate valuation of pension benefits is not performed for the Hospital's employees.

OPERS issues a stand-alone financial report and may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377. The Ohio Revised Code provides statutory authority for employee and employer contributions. For the years ended December 31, 2012, 2011, and 2010, the employee contribution rate was 10.0% of covered payroll and the Hospital was required to contribute 14.0% of covered payroll. For 2012, member and employer contribution rates were consistent across all three plans. Employee contributions to OPERS for the years ended December 31, 2012, 2011, and 2010, were $1,352,653, $1,355,358, and $1,394,249, respectively, equal to the required contributions for each year. The Hospital's contributions to OPERS for the years ended December 31, 2012, 2011, and 2010, were $1,963,571, $1,896,461, and $1,951,944, respectively, equal to the required contributions for each year.

The Ohio Revised Code provided the statutory authority requiring public employers to fund pensions through their contributions to OPERS.

Post Employment Benefits: 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 Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits including post employment healthcare coverage.

In order to qualify for post employment healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Healthcare coverage of disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

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.

The Ohio Revised Code provided the statutory authority requiring public employers to fund post employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post employment healthcare benefit.

The employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, the employer contribution was 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment HealthCare plan was established under, and is administrated 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. The portion of employer contributions allocated to healthcare for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care in the Combined Plan was 6.05% during calendar year 2012. The portion of employer contributions allocated to health care beginning in calendar year 2013 has remained the same but is subject to change based on Board action. 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. The Hospital's contributions for 2012, 2011, and 2010, used to fund post employment healthcare benefits were $560,992, $541,819, and $710,612, respectively, which are included in the Hospital's contractually required contribution of $1,963,571, $1,896,461, and $1,951,944 for the years ended December 31, 2012, 2011, and 2010, respectively.

On September 9, 2004, the OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP), effective on January 1, 2007. Effective as of January 1, 2006, 2007, and 2008, member and employer contribution rates increased, allowing additional funds to be allocated to the healthcare plan.

Note 12. Related Parties

Hocking Valley Community Hospital Memorial Fund, Inc.:

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 Trustees 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 informational purposes only.

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

The Foundation is the controlling member of the Hocking Valley Medical Group, Inc. (HVMG). The unaudited condensed financial statements of the Foundation do not include the assets, obligations, revenues or expenses of HVMG.

Hocking Valley Community Hospital Memorial Fund, Inc.
Unaudited Condensed Statement of Net Position
December 31, 2012

	2012
Assets	
Current Assets	
Cash and cash equivalents	$ 374,740
Investments	705,088
Note receivable	330,002
Property and equipment, net	678,299
Total assets	$ 2,088,129
Liabilities	
Total liabilities	$ -
Total net position	2,088,129
Total liabilities and net position	$ 2,088,129

Unaudited Condensed Statements of Revenues, Expenses and Changes in Net Position Year Ended December 31, 2012.

	2012
Total support	$ 262,193
Expenses	(64,033)
Donations and pledges to the Hospital	(20,000)
Increase in net position	178,160
Net position, beginning of year	1,909,969
Net position, ending of year	$ 2,088,129

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

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 years ending December 31 are as follows:

2013	$ 75,072
2014	75,072
2015	75,072
2016	75,072
2017	75,072
Thereafter	131,376
Total future minimum lease payments	$ 506,736

Hocking Valley Medical Group, Inc., related party:
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. The unaudited condensed financial statements of the Foundation do not include the assets, obligations, revenues or expenses of HVMG.

During the year ended December 31, 2012, the Hospital disbursed funds totaling $2,474,000, on behalf of HVMG to fund operating deficits. These amounts were paid to the Foundation, who acting as fiscal agent, remitted the funds to HVMG. There were no amounts due to or receivable from HVMG at December 31, 2012.

Hocking Valley Health Services:
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 Trustees of the Hospital. The Board of Trustees of HVHS is elected by HVHS's members of whom fifty percent of the voting rights are controlled by the Board of Trustees of the Hospital. HVHS has not entered into any financial activities as of or for the year ended December 31, 2012. Therefore, the Hospital's financial statements exclude the activities of HVHS.

Note 13. Commitments and Contingencies

Regulatory environment including fraud and abuse matters: The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or asserted at this time.

NOTE 24– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNTIY HOSPITAL - (CONTINUED)

Patient Protection and Affordable Care Reconciliation Act: On March 23, 2010, the most sweeping health care legislation since the advent of Medicare was signed into law. The law promises to expand insurance coverage to an additional 32 million Americans, reduce the growth of Medicare expenditures, dramatically reform insurance markets, and continue the trend toward value-based payment. The Reconciliation Act amends various provisions of the Patient Protection and Affordable Care Reconciliation Act and adds some new provisions that were not included originally. Several legal challenges have been made against the legislation since it was enacted, and uncertainty exists as to the ultimate impact of the legislation on the health care delivery system. On June 28, 2012, The United States Supreme Court upheld the constitutionality of components of the Affordable Care Act, allowing the historic overhaul of the health care system to continue. Potential impacts of health care reform include uncertainty and volatility in Medicare and Medicaid reimbursement, fundamental changes in payment systems, increased regulation, and significant required investments in health care information technology.

Center for Medicare and Medicaid Services Recovery Audit Contractor Program: Congress passed the Medicare Modernization Act in 2003, which among other things established a three-year demonstration of the Medicare Recovery Audit Contractor Program (RAC) program. The RAC's identified and corrected a significant amount of improper payments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorizes the expansion of the RAC program to all 50 states by 2010. The Centers for Medicare and Medicaid Services (CMS) is in the process of rolling out this program nationally.

Medicare and Medicaid Electronic Health Records (EHR) Incentive Programs: The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid Incentive Programs beginning in Federal fiscal year 2011 for eligible acute care hospitals that are meaningful users of certified EHR technology, as defined by the Federal Register. The Hospital has implemented certified EHR technology that has enabled it to demonstrate its meaningful use and to qualify for the incentive programs. The initial incentive payments received for both the Medicare and Medicaid EHR incentive programs are estimates based upon data from prior year's cost reports. The final settlements will be determined after the submission of the current annual cost reports and subsequent audits by the fiscal intermediary. The EHR Incentive Programs are expected to continue through September 30, 2014, and the incentive payments will be calculated annually. After that date, hospitals that are not meaningful users or certified users of EHR technology will be subjected to a potential decrease in their Medicare and Medicaid payments.

The Hospital accounts for EHR Incentive funds using a gain contingency accounting model. Under this policy, EHR payments are recognized as revenue when the Hospital has complied with the meaningful use criteria for the full reporting period and all contingencies relating to receipt of the incentive payments have been resolved. EHR Incentive funds are included in noncapital grants and contributions in the statement of activities and related receivables are included as other receivables in the statement of net position.

The Hospital successfully registered for the hospital Ohio Medicaid EHR Incentive Program and completed the attestation process in October 2012. As of December 31, 2012, the Hospital has recorded $249,000 for Medicaid EHR Incentive. At December 31, 2012 the related receivable is $0.

The Hospital intends to register for the hospital Medicare EHR Incentive Program. The Hospital is currently collecting data to demonstrate ninety days of continuous use as a meaningful user. It is expected that the attestation will be submitted during the second quarter of 2013.

NOTE 25 - 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, 2012:

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 25 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC. - (CONTINUED)

NOTE B SUMMARY OF SIGNIFICANT 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 Agency is required to report information regarding its financial position and activities according to three classes of net position as follows:

> Unrestricted net position – Net position that is not subject to donor-imposed stipulations.
>
> Temporarily restricted net position – Net position that is subject to donor-imposed restrictions that may or will be met, either by actions of the Agency and/or the passage of time.
>
> Permanently restricted net position – Net position subject to donor-imposed stipulations that they be maintained permanently by the Agency.

There was no temporarily or permanently restricted net position as of December 31, 2012.

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.

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 from outstanding balances. Management considers accounts receivable to be fully collectible; 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 activities.

NOTE 25 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC. - Continued

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $8,206 for the year ended December 31, 2012.

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. There were no advertising expenses for the year ended December 31, 2012.

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 2009 and beyond remain subject to examination by Internal Revenue Service.

The Agency did not have unrecognized tax benefits as of December 31, 2012 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, 2012, the Agency has not accrued interest or penalties related to uncertain tax positions.

Vacation Accrual

Employees may earn vacation time after one year of service and is earned based on the following schedule:

- 40 hours based on productive work per year after one year of service.
- 80 hours based on productive work per year after three years of service.
- 120 hours based on productive work per year after eight years of service.

Vacation time can carry over from year to year but can never exceed 120 hours. The Agency began accruing for the vacation time as of December 31, 2012 which amounted to $8,945.

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.

NOTE 25 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC. - Continued

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 2012.

In-Kind Contributions

In-kind contributions represent the value of salaries, administrative services, and capital costs provided by 169 Board in the amount of $341,890 for the year ended December 31, 2012. The Agency recognizes this as revenue and corresponding expense on the statements of activities.

Other Related Party Transactions

The Agency receives grants and is reimbursed for expenses by the 169 Board which is recorded as revenue in the amount of $28,536 for the year ended December 31, 2012. The Agency provided cleaning services to the 169 Board during 2012 in the amount of $35,955 of which the Accounts Receivable balance due from the 169 Board was $2,133 as of December 31, 2012. Expenses paid by the Agency to 169 Board amounted to $977 as of December 31, 2012. There was no accounts payable for expense reimbursement due to the 169 Board as of December 31, 2012.

NOTE E NOTES PAYABLE

During 2009, the Agency purchased a shredder that they financed through the 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.

	2012
	$ 4,238
Total	4,238
Less Current Portion	2,623
Note Payable	$ 1,615

Future maturities of notes payable are as follows:

Year Ended December 31,	Amount
2013	$ 2,623
2014	1,615
	$ 4,238

NOTE 25 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC. - Continued

NOTE F SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 3, 2013, the date that the financial statements were available to be issued.

Hocking County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2012

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements
United States Department of Agriculture			
Passed Through the Ohio Department of Job and Family Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1213-11-0056	10.561	$252,709
Total United States Department of Agriculture			**252,709**
United States Department of Housing and Urban Development			
Passed Through Ohio Department of Development:			
Community Development Block Grants:			
FY10 CHIP CDBG Formula	B-F-10-1BH-1	14.228	95,655
FY11 CHIP CDBG Formula	B-F-11-1BH-1	14.228	56,705
Total Community Development Block Grants			152,360
Total United States Department of Housing and Urban Development			**152,360**
United States Department of Justice Bureau of Justice Assistance			
Passed through Ohio Attorney General:			
Crime Victim Assistance	VAGENE 220	16.582	31,298
Passed through Ohio Department of Youth Services:			
Drug Court Discretionary Grant Program	DC-BX-0020	16.585	6,850
Reclaiming Futures	DC-BX-0020	16.585	150,738
Total Drug Court Discretionary Program			157,588
Passed through Ohio Office of Criminal Justice Services:			
Edward Byrne Justice Assistance Grant Formula Program	JG-A02-6726	16.738	34,000
Edward Byrne Justice Assistance Grant Formula Program	JG-LLE-5868	16.738	9,989
Total Edward Byrne Justice Assistance Grant Formula Program			43,989
Bulletproof Vest Partnership Program	N/A	16.607	1,190
Total United States Department of Justice Bureau of Justice Assistance			**234,065**
United States Department of Transportation			
Passed Through the Ohio Emergency Management Agency:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	HMP-0243-11-01-11	20.703	2,850
State and Community Highway Safety	HVEO-2012-37-00-00-00305-0(	20.600	2,329
Total United States Department of Transportation			**5,179**
United States Department of Education			
Passed Through the Ohio Department of Health:			
Special Education - Grants for Infants and Families	N/A	84.181	41,171
Total United States Department of Education			**41,171**
United States Department of Labor			
Passed Through the Ohio Department of Job and Family Services:			
Workforce Initiative Allocation Cluster:			
Workforce Investment Act - Adult Program	N/A	17.258	98,229
Workforce Investment Act - Administration Adult	N/A	17.258	7,746
Workforce Investment Act - Youth Activities	N/A	17.259	114,478
Workforce Investment Act - Dislocated Workers	N/A	17.278	133,022
Workforce Investment Act - Administration Dislocated Workers	N/A	17.278	646
Total Workforce Investment Act Cluster			354,121
Workforce Investment Act - National Emergency Grants - ARRA	N/A	17.277	5,529
Total United States Department of Labor			**359,650**

(continued)

Hocking County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2012

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements
United States Department of Homeland Security			
Passed Through Ohio Emergency Management Agency:			
FY10 CCP	2010-SS-TO-0012	97.067	5,753
FY11 Homeland Security	EMW2011SS00070	97.067	15,482
Cert Grant	2009-SS-T9-0089	97.067	3,950
Total Homeland Security Grant Program			25,185
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	N/A	97.036	125,961
Emergency Management Performance Grant	EMW-2011-EP-00003-S01	97.042	35,353
			35,353
Total United States Department of Homeland Security			**186,499**
United States Department of Health and Human Services			
Passed Through Ohio Department of Job and Family Services:			
Promoting Safe and Stable Family	G-1213-11-0056	93.556	51,755
Child Support Enforcement	G-1213-11-0056	93.563	199,974
Child Welfare Services_State Grants	G-1213-11-0056	93.645	40,630
Foster Care_Title IV-E	G-1213-11-0056	93.658	656,624
Adoption Assistance	G-1213-11-0056	93.659	149,551
Chafee Foster Care Independence Program	G-1213-11-0056	93.674	1,725
Children's Health Insurance Program	G-1213-11-0056	93.767	1,914
Temporary Assistance for Needy Families Cluster:			
Temporary Assistance for Needy Families	G-1213-11-0056	93.558	796,355
Total Temporary Assistance for Needy Families Cluster			796,355
Child Care and Development Block Grant Cluster:			
Child Care and Development Block Grant	G-1213-11-0056	93.575	45,445
Total Child Care and Development Block Grant Cluster			45,445
Passed Through Ohio Department of Job and Family Services:			
Medical Assistance Program:			
Targeted Case Management - Senior Center	N/A	93.778	34,062
Targeted Case Management	G-1213-11-0056	93.778	303,746
Targeted Case Management	G-1213-11-0056	93.778	967
Passed Through Ohio Department of Developmental Disabilities:			
Targeted Case Management	N/A	93.778	91,129
Total Medical Assistance Program			429,904
Passed Through Ohio Department of Job and Family Services:			
Social Services Block Grant	G-1213-11-0056	93.667	265,323
Passed Through Ohio Department of Developmental Disabilities:			
Social Services Block Grant	N/A	93.667	26,697
Total Social Services Block Grant			292,020
Passed Through the Ohio Department of Job and Family Services:			
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	G-1213-11-0056	93.044	41,514
Passed Through the Substance Abuse and Mental Health Services Administration:			
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	SH79T1021874-02	93.243	211,737
Total United States Department of Health and Human Services			**2,919,148**
United States Election Assistance Commission			
Passed Through the Ohio Secretary of State			
Help America Vote Act Requirements Payments	N/A	90.401	2,950
Total United States Election Assistance Commission			**2,950**
Total Federal Awards Expenditures			**$4,153,731**

N/A - pass-through entity number not available.
N - direct from the federal government.

See the 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. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

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

The County administers a loan program with funds 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, 2012, the total amount of loans outstanding was $624,837.

Note D – Ohio Department of Developmental Disabilities

During the calendar year, the County Board of Developmental Disabilities received a settlement for the 2007 Cost Report from the Ohio Department of Disabilities for the Medicaid Program (CFDA #93.778) in the amount of $5,354. The Cost report statement was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Schedule of Expenditures of Federal Award since the underlying expenses occurred in prior reporting periods.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Hocking County, Ohio (the County) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 19, 2013, wherein we noted the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our report includes a reference to other auditors who audited the financial statements of Hocking Valley Community Hospital and Hocking Valley Industries, Inc., as described in our report on the County's financial statements. We issued an adverse opinion on the aggregate discretely presented component units based on the report of other auditors. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Hocking Valley Industries, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Hocking Valley Industries, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

July 19, 2013

Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by OMB Circular A-133

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Hocking County's, Ohio (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Millhuff-Stang, CPA, Inc.
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Phone: 740.876.8548 ▪ Fax: 888.876.8549
Website: www.millhuffstangcpa.com ▪ Email: natalie@millhuffstangcpa.com

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over 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.

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 detect and correct, noncompliance with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weakenesess or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

July 19, 2013

Hocking County Financial Condition
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2012

Section I – Summary of Auditor's Results

Financial Statements		
Type of financial statement opinion:		Adverse for aggregate discretely presented component units Unmodified for all other opinion units
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		No
Federal Awards		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:		Unqualified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		No
Identification of major program(s):		Workforce Investment Act Cluster, CFDA #17.258, 17.259, and 17.278 Temporary Assistance for Needy Families, CFDA #93.558
Dollar threshold used to distinguish between type A and type B programs:		Type A: >$300,000 Type B: all others
Auditee qualified as low-risk auditee?		Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Dave Yost • Auditor of State

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
SEPTEMBER 3, 2013

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