Financial Condition
Hocking County
Single Audit
For the Year Ended December 31, 2014

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT
Millhuff-Stang, CPA, Inc.
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Dave Yost • Auditor of State

Board of 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, 2014 through December 31, 2014. 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

October 9, 2015

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Hocking County Financial Condition
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For the Year Ended December 31, 2014

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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, 2014, 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 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 other auditors audited the financial statements of Hocking Valley Industries, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit 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 entity'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.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hocking County, Ohio, as of December 31, 2014, 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, Board of Developmental Disabilities Fund, and Emergency Medical Services Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 through 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 federal awards expenditures, 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 basic financial statements.

The schedule of federal awards expenditures 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, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic 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 June 26, 2015 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 an 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

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

June 26, 2015

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, 2014. 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 2014 are as follows:

Overall:

Total net position increased $1,385,855 primarily due to governmental activities changes.

Total revenue was $23,755,700 in 2014.

Total program expenses were $22,369,845 in 2014.

Governmental Activities:

Liabilities and deferred inflows increased $213,876 from 2013, while total assets increased by $1,650,058.

Total revenue was $23,564,348 in 2014, while program expenses were $22,128,166.

Program expenses were primarily composed of health, public works, public safety, legislative and executive, judicial, and human services, where expenses were $6,008,536, $3,486,260, $4,253,407, $4,261,865, $1,972,426, and $1,275,822, respectively, in 2014.

Business-Type Activities:

Program revenues were $191,352 for business-type activities, while corresponding expenses were $241,679.

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 Board of Developmental Disabilities Fund, and the Emergency Medical Services Fund are the major governmental funds for the County. The Sewer Fund is the County's major Enterprise Fund.

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 2014?" 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 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 2014 compared to the prior year:

Table 1

Net Position

	Governmental Activities		Business-Type Activities		Totals	
Assets	2014	2013	2014	2013	2014	2013
Current & Other Assets	$ 21,927,978	$ 21,997,514	$ 264,949	$ 265,488	$ 22,192,927	$ 22,263,002
Capital Assets, Net	26,369,424	24,649,830	1,089,970	1,147,594	27,459,394	25,797,424
Total Assets	48,297,402	46,647,344	1,354,919	1,413,082	49,652,321	48,060,426
Liabilities						
Long-Term Liabilities	1,861,588	1,718,438	430,008	440,404	2,291,596	2,158,842
Current and Other Liabilities	1,046,204	1,014,004	5,040	2,480	1,051,244	1,016,484
Total Liabilities	2,907,792	2,732,442	435,048	442,884	3,342,840	3,175,326
Deferred Inflows of Resources						
Taxes	5,545,403	5,506,877	-	-	5,545,403	5,506,877
Net Position						
Net Investment in Capital Assets	25,209,232	23,546,327	669,870	715,694	25,879,102	24,262,021
Restricted	10,590,191	10,765,651	-	-	10,590,191	10,765,651
Unrestricted	4,044,784	4,096,047	250,001	254,504	4,294,785	4,350,551
Total Net Position	$ 39,844,207	$ 38,408,025	$ 919,871	$ 970,198	$ 40,764,078	$ 39,378,223

Total assets increased by $1,591,895. The primary reason for the increase in total assets is capital assets, net. Capital assets in the governmental activities increased $1,719,594 from 2013 to 2014, due to additions which were partially offset by current year depreciation and disposals. Capital assets in the business-type activities decreased $57,624 from 2013 to 2014, primarily due to depreciation expense.

Total liabilities for governmental activities increased $175,350 as a result of increased compensated absences and the issuance of debt which was partially offset by debt payments. Total liabilities of business-type activities decreased $7,836 due mainly to current year debt payments.

Table 2 shows the changes in net position for fiscal year 2014 and 2013.

Table 2
Changes in Net Position

	2014			2013			
	Governmental Activities	Business-Type Activities	Total	Governmental Activities		Business-Type Activities	Total
Revenues							
Program Revenues:							
Charges for Services and Sales	$ 3,675,545	$ 179,080	$ 3,854,625	$ 3,715,379		$ 176,058	$ 3,891,437
Operating Grants and Contributions	6,366,026	-	6,366,026	5,806,871	*	-	5,806,871
Capital Grants and Contributions	1,683,962	12,272	1,696,234	459,583	*	26,321	485,904
Total Program Revenues	11,725,533	191,352	11,916,885	9,981,833		202,379	10,184,212
General Revenues:							
Property Taxes	5,421,599	-	5,421,599	4,941,638		-	4,941,638
Sales Taxes	3,634,353	-	3,634,353	3,490,591		-	3,490,591
Grants and Entitlements	1,390,871	-	1,390,871	1,691,984		-	1,691,984
Other Taxes	953,068	-	953,068	893,766		-	893,766
Interest Earnings	68,898	-	68,898	81,352		-	81,352
Miscellaneous	370,026	-	370,026	323,989		-	323,989
Total General Revenues	11,838,815	-	11,838,815	11,423,320		-	11,423,320
Total Revenues	23,564,348	191,352	23,755,700	21,405,153		202,379	21,607,532
Program Expenses							
General Government:							
Legislative and Executive	4,261,865	-	4,261,865	3,216,407		-	3,216,407
Judicial	1,972,426	-	1,972,426	1,914,357		-	1,914,357
Public Safety	4,253,407	-	4,253,407	3,976,005		-	3,976,005
Public Works	3,486,260	-	3,486,260	4,301,022		-	4,301,022
Health	6,008,536	-	6,008,536	5,753,642		-	5,753,642
Human Services	1,275,822	-	1,275,822	1,181,669		-	1,181,669
Economic Development and Assistance	631,593	-	631,593	206,291		-	206,291
Conservation and Recreation	207,500	-	207,500	348,760		-	348,760
Interest and Fiscal Charges	30,757	-	30,757	31,022		-	31,022
Wastewater Treatment	-	241,679	241,679	-		182,146	182,146
Total Expenses	22,128,166	241,679	22,369,845	20,929,175		182,146	21,111,321
Change in Net Position	1,436,182	(50,327)	1,385,855	475,978		20,233	496,211
Net Position - Beginning of Year	38,408,025	970,198	39,378,223	37,932,047		949,965	38,882,012
Net Position - End of Year	$ 39,844,207	$ 919,871	$ 40,764,078	$ 38,408,025		$ 970,198	$ 39,378,223

* - Certain reclassifications were made to 2013 program revenues to conform to the 2014 presentation.

Governmental net position increased $1,436,182 from 2013 to 2014. Total governmental activities revenues increased $2,159,195 due primarily to increases in operating grants and contributions, capital grants and contributions and property taxes of $559,155, $1,224,379 and $479,961, respectively. Operating grants increased primarily due to increases in the Developmental Disabilities operating grants and Community Development Block grants. Capital grants increased primarily due to an additional Ohio Department of Transportation project for construction of a bridge.

Total governmental activities expenses increased $1,198,991 primarily due to increases in legislative and executive expenses ($1,045,458) and economic development and assistance expenses ($425,302), which were partially offset by decreases in public works expenses ($814,762). The increases in legislative and executive expenses is primarily for distributions of excess real estate assessment fees from prior years to various local governments within the County as well as countywide reappraisal services. The increase in economic development and assistance expenses is due to additional Community Development Block grant programs in 2014. The decrease on public works expenses is due to more costs being capitalized in 2014 than in 2013.

For business-type activities, charges for services and sales increased $3,022, while capital grants and contributions decreased $14,049, and wastewater treatment expenses increased $59,533, resulting in a decrease in net position of $50,327.

The County receives diverse types of revenues to provide for the vast number of programs provided by the County. Operating grants and contributions provide 27% of total revenues for governmental activities. Property taxes and sales taxes provide 23% and 15% of total revenues for governmental activities, respectively.

Health, public works, public safety, and general government legislative and executive comprise 27%, 16%, 19% and 19%, 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	
	2014	2013	2014	2013
General Government - Legislative and Executive	$ 4,261,865	$ 3,216,407	$ 3,173,350	$ 1,848,505
General Government - Judicial	1,972,426	1,914,357	1,039,100	1,478,747
Public Safety	4,253,407	3,976,005	2,890,770	2,130,277
Public Works	3,486,260	4,301,022	(1,529,467)	1,302,768
Health	6,008,536	5,753,642	3,766,991	2,993,070
Human Services	1,275,822	1,181,669	820,738	797,870
Economic Development and Assistance	631,593	206,291	45,447	52,709
Conservation and Recreation	207,500	348,760	164,947	314,787
Interest and Fiscal Charges	30,757	31,022	30,757	28,609
Total Expenses	$ 22,128,166	$ 20,929,175	$ 10,402,633	$ 10,947,342

47% of governmental activities are supported through program revenues.

Business-Type Activities

Business-type activities include wastewater treatment.

Overall net position decreased $50,327 from 2013 to 2014. Charges for services and sales accounted for 94% of total revenues of $191,352.

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 $24,263,297 and expenditures and other uses of $24,349,779. The net change in fund balance for the year was most significant in the Emergency Medical Services Fund which experienced an increase in fund balance of $418,151 due to a decrease of capital outlay expenditures.

The General Fund experienced a decrease in fund balance of $4,362 primarily due to expenditures and other financing uses exceeding revenues and other financing sources.

The Motor Vehicle Gas Tax Fund experienced a decrease in fund balance of $121,596 primarily due to monies received and expended as a result of ODOT projects.

The Board of Developmental Disabilities experienced a decrease in fund balance of $177,005 primarily 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 2014 the County amended its General Fund budget numerous times, none significant.

For the General Fund, budget basis actual revenue and other financing sources were $7,247,480, above final budget estimates of $6,673,503. Of this difference, tax revenues made the majority of this difference.

Budget basis actual expenditures and other financing uses were $7,489,689, below final budget estimates of $7,738,703 which resulted in a $249,014 difference. Total actual expenditures and other financing uses on the budget basis were $242,209 above revenues and other financing sources.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2014 the County had $27,459,394 (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; $26,369,424 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 2014 and 2013 balances by governmental activities and business-type activities:

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

	2014	2013
Land	$ 811,350	$ 811,350
Construction in Progress	11,715	170,421
Land Improvements	44,002	47,637
Buildings	3,071,127	2,906,136
Machinery and Equipment	1,700,864	1,880,040
Vehicles	2,396,650	1,666,078
Infrastructure	18,333,716	17,168,168
Total	$ 26,369,424	$ 24,649,830

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

	2014	2013
Land	$ 29,000	$ 29,000
Wastewater Treatment Plant	45,493	66,640
Collection System	1,015,477	1,051,954
Total	$ 1,089,970	$ 1,147,594

Debt

At December 31, 2014 the County had $1,060,839 in governmental activities bonds and long-term loans and notes, $175,413 due within one year. At December 31, 2014, the County had $420,100 in business-type activity bonds, $12,400 due within one year.

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

Table 5
Outstanding Debt At December 31
Governmental Activities

	2014	2013
Long Term Notes/Loans	$ 1,049,539	$ 944,442
Special Assessment Bonds	11,300	14,800
Total	$ 1,060,839	$ 959,242

Table 6
Outstanding Debt At December 31
Business-Type Activities

	2014	2013
Revenue Bonds	$ 420,100	$ 431,900

All long-term notes and loans and special assessment bonds outstanding for governmental activities are general obligations of the County for which the full faith and credit of the County is pledged for repayment. For additional information regarding bonds and long-term notes and loans 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, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Hospital	Adult Activities Workshop
Assets					
Equity in Pooled Cash and Cash Equivalents	$ 12,167,116	$ 225,522	$ 12,392,638	$ -	$ -
Cash, Cash Equivalents and Investments in Segregated Accounts	-	-	-	1,907,751	79,343
Receivables:					
Taxes	6,539,683	-	6,539,683	-	-
Accounts, Net	94,403	39,427	133,830	4,883,748	44,047
Interest	982	-	982	-	-
Special Assessments	15,573	-	15,573	-	-
Intergovernmental	2,703,996	-	2,703,996	-	-
Materials and Supplies Inventory	406,225	-	406,225	436,372	2,833
Prepaid Items	-	-	-	2,269,219	-
Deposits	-	-	-	454,939	-
Restricted Cash and Cash Equivalents and Investments in Segregated Accounts	-	-	-	243,817	-
Deposits	-	-	-	-	994
Nondepreciable Capital Assets	823,065	29,000	852,065	607,414	-
Depreciable Capital Assets, Net	25,546,359	1,060,970	26,607,329	10,754,368	18,848
Total Assets	48,297,402	1,354,919	49,652,321	21,557,628	146,065
Liabilities					
Accounts Payable	301,024	-	301,024	3,408,482	6,197
Accrued Wages and Benefits Payable	410,660	3,674	414,334	1,038,489	16,820
Intergovernmental Payable	334,520	1,366	335,886	-	-
Self Insurance Liability	-	-	-	330,923	-
Estimated Third-Party Payor Settlements	-	-	-	18,116	-
Line-of-Credit	-	-	-	396,000	-
Long-Term Liabilities:					
Due Within One Year	346,315	14,053	360,368	965,908	-
Due in More Than One Year	1,515,273	415,955	1,931,228	1,949,689	-
Total Liabilities	2,907,792	435,048	3,342,840	8,107,607	23,017
Deferred Inflows of Resources					
Property Taxes Not Levied to Finance Current Year Operations	5,545,403	-	5,545,403	-	-
Net Position					
Net Investment in Capital Assets	25,209,232	669,870	25,879,102	9,081,274	-
Restricted for:					
Debt Service	54,334	-	54,334	-	-
Capital Projects	740,511	-	740,511	-	-
Hocking County 911	1,130,293	-	1,130,293	-	-
Senior Citizens	432,835	-	432,835	-	-
Motor Vehicle Gas Tax	3,210,160	-	3,210,160	-	-
Family and Children First	217,205	-	217,205	-	-
Board of Developmental Disabilities	1,286,344	-	1,286,344	-	-
Emergency Medical Services	1,057,802	-	1,057,802	-	-
Real Estate Assessment	653,567	-	653,567	-	-
Municipal Court Special Projects	203,565	-	203,565	-	-
Other Purposes	1,603,575	-	1,603,575	243,817	-
Unrestricted	4,044,784	250,001	4,294,785	4,124,930	123,048
Total Net Position	$ 39,844,207	$ 919,871	$ 40,764,078	$ 13,450,021	$ 123,048

See accompanying notes to the basic financial statements.

Hocking County

Statement of Activities

For the Year Ended December 31, 2014

		Program Revenues		
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental Activities				
General Government:				
Legislative and Executive	$4,261,865	$1,041,171	$47,344	$ -
Judicial	1,972,426	706,266	227,060	-
Public Safety	4,253,407	756,288	398,193	208,156
Public Works	3,486,260	149,394	3,390,527	1,475,806
Health	6,008,536	861,122	1,380,423	-
Human Services	1,275,822	112,506	342,578	-
Economic Development and Assistance	631,593	10,844	575,302	-
Conservation and Recreation	207,500	37,954	4,599	-
Interest and Fiscal Charges	30,757	-	-	-
Total Governmental Activities	22,128,166	3,675,545	6,366,026	1,683,962
Business-Type Activities				
Wastewater Treatment	241,679	179,080	-	12,272
Total Business-Type Activities	241,679	179,080	-	12,272
Total Primary Government	$ 22,369,845	$ 3,854,625	$ 6,366,026	$ 1,696,234
Component Units				
Hospital	$ 34,970,017	$ 34,547,150	$ -	$ 127,585
Adult Activities Workshop	757,703	521,006	247,646	-
Total Component Units	$ 35,727,720	$ 35,068,156	$ 247,646	$ 127,585

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

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**
$ (3,173,350)	$ -	$ (3,173,350)	$ -	$ -
(1,039,100)	-	(1,039,100)	-	-
(2,890,770)	-	(2,890,770)	-	-
1,529,467	-	1,529,467	-	-
(3,766,991)	-	(3,766,991)	-	-
(820,738)	-	(820,738)	-	-
(45,447)	-	(45,447)	-	-
(164,947)	-	(164,947)	-	-
(30,757)	-	(30,757)	-	-
(10,402,633)	-	(10,402,633)	-	-
-	(50,327)	(50,327)	-	-
-	(50,327)	(50,327)		
(10,402,633)	(50,327)	(10,452,960)		
			(295,282)	-
			-	10,949
			(295,282)	10,949
1,849,363	-	1,849,363	-	-
3,572,236	-	3,572,236	-	-
2,907,628	-	2,907,628	-	-
726,725	-	726,725	-	-
953,068	-	953,068	-	-
1,390,871	-	1,390,871	-	-
68,898	-	68,898	48,311	27
-	-	-	427,685	-
370,026	-	370,026	-	-
11,838,815	-	11,838,815	475,996	27
1,436,182	(50,327)	1,385,855	180,714	10,976
38,408,025	970,198	39,378,223	13,269,307	112,072
$ 39,844,207	$ 919,871	$ 40,764,078	$ 13,450,021	$ 123,048

Hocking County

Balance Sheet

Governmental Funds

As of December 31, 2014

	General	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	$ 3,445,869	$ 1,457,887	$ 894,395	$ 1,035,099	$ 5,333,866	$ 12,167,116
Receivables:						
Taxes	2,501,254	-	1,804,693	1,826,730	407,006	6,539,683
Accounts, Net	-	-	27,759	66,644	-	94,403
Accrued Interest	982	-	-	-	-	982
Intergovernmental	531,903	1,667,062	318,397	108,552	78,082	2,703,996
Interfund	22,200	-	52,315	-	-	74,515
Special Assessments	-	-	-	-	15,573	15,573
Due from Other Funds	-	1,171	21,107	-	-	22,278
Materials and Supplies Inventory	-	406,225	-	-	-	406,225
Total Assets	$ 6,502,208	$ 3,532,345	$ 3,118,666	$ 3,037,025	$ 5,834,527	$ 22,024,771
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts Payable	$ 35,359	$ 144,530	$ 21,778	$ 5,442	$ 93,915	$ 301,024
Accrued Wages and Benefits Payable	172,438	49,179	65,270	70,179	53,594	410,660
Due to Other Funds	-	-	-	1,171	21,107	22,278
Intergovernmental Payable	83,226	24,640	58,334	55,620	112,700	334,520
Interfund Payable	-	-	-	-	74,515	74,515
Total Liabilities	291,023	218,349	145,382	132,412	355,831	1,142,997
Deferred Inflows of Resources						
Property Taxes Not Levied to Finance Current Year Operations	$ 1,893,562	$ -	$ 1,702,454	$ 1,723,243	$ 226,144	$ 5,545,403
Unavailable Revenues - Delinquent Taxes	113,716	-	102,239	103,487	13,581	333,023
Unavailable Revenues - Special Assessments	-	-	-	-	15,573	15,573
Unavailable Revenues - Grants	268,643	1,105,995	180,317	108,552	14,807	1,678,314
Total Deferred Inflows of Resources	2,275,921	1,105,995	1,985,010	1,935,282	270,105	7,572,313
Fund Balances						
Nonspendable	140,480	406,225	-	-	-	546,705
Restricted	-	1,801,776	988,274	969,331	5,219,590	8,978,971
Committed	20,133	-	-	-	-	20,133
Assigned	1,230,865	-	-	-	-	1,230,865
Unassigned (Deficit)	2,543,786	-	-	-	(10,999)	2,532,787
Total Fund Balances	3,935,264	2,208,001	988,274	969,331	5,208,591	13,309,461
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,502,208	$ 3,532,345	$ 3,118,666	$ 3,037,025	$ 5,834,527	$ 22,024,771

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, 2014

Total Governmental Fund Balances		$ 13,309,461
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.		26,369,424
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	333,023	
Intergovernmental	1,678,314	
Special Assessments	15,573	
Total		2,026,910
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	(701,396)	
Long Term Notes	(1,049,539)	
Special Assessment Bonds	(11,300)	
Capital Lease Obligations	(99,353)	
Total		(1,861,588)
Net Position of Governmental Activities		$ 39,844,207

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, 2014

	General	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 4,913,885	$ -	$ 1,682,923	$ 1,712,282	$ 1,775,299	$ 10,084,389
Intergovernmental	1,092,193	4,883,443	1,513,266	218,186	1,708,558	9,415,646
Charges for Services	1,145,526	123,641	169,577	572,866	895,660	2,907,270
Fees, Licenses and Permits	82,381	-	-	-	105,409	187,790
Fines and Forfeitures	127,581	19,995	-	-	432,573	580,149
Special Assessments	-	-	-	-	3,960	3,960
Interest	66,283	2,449	-	-	166	68,898
Miscellaneous	89,974	39,608	39,006	-	201,438	370,026
Total Revenues	7,517,823	5,069,136	3,404,772	2,503,334	5,123,063	23,618,128
Expenditures						
Current:						
General Government:						
Legislative and Executive	2,011,156	-	-	-	2,121,391	4,132,547
Judicial	1,568,723	-	-	-	383,661	1,952,384
Public Safety	2,846,849	-	-	-	1,142,019	3,988,868
Public Works	27,119	1,987,689	-	-	-	2,014,808
Health	40,835	-	3,572,655	2,085,183	143,792	5,842,465
Human Services	615,577	-	-	-	623,625	1,239,202
Conservation and Recreation	204,915	-	-	-	-	204,915
Economic Development and Assistance	61,605	-	-	-	570,088	631,693
Capital Outlay	89,290	3,368,491	-		301,878	3,759,659
Debt Service:						
Principal	66,706	83,400	7,942	-	266,132	424,180
Interest and Fiscal Charges	8,338	1,152	1,180	-	20,087	30,757
Total Expenditures	7,541,113	5,440,732	3,581,777	2,085,183	5,572,673	24,221,478
Excess of Revenues Over (Under) Expenditures	(23,290)	(371,596)	(177,005)	418,151	(449,610)	(603,350)
Other Financing Sources/(Uses)						
Issuance of OPWC Loans	-	250,000	-	-	-	250,000
Issuance of OWDA Loans	-	-	-	-	199,639	199,639
Inception of Capital Lease	67,229	-	-	-	-	67,229
Transfers In	-	-	-	-	128,301	128,301
Transfers Out	(48,301)	-	-	-	(80,000)	(128,301)
Total Other Financing Sources/(Uses)	18,928	250,000	-	-	247,940	516,868
Net Changes in Fund Balances	(4,362)	(121,596)	(177,005)	418,151	(201,670)	(86,482)
Fund Balances Beginning of Year	3,939,626	2,329,597	1,165,279	551,180	5,410,261	13,395,943
Fund Balances End of Year	$ 3,935,264	$ 2,208,001	$ 988,274	$ 969,331	$ 5,208,591	$ 13,309,461

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, 2014

Net Change in Fund Balances - Total Governmental Funds		$ (86,482)
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	3,759,659	
Current Year Depreciation	(1,974,624)	
Total		1,785,035
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.		
Loss on Disposal of Capital Assets	(65,441)	
Total		(65,441)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(75,369)	
Intergovernmental	25,213	
Special Assessments	(3,624)	
Total		(53,780)
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.		(449,639)
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 position and does not result in an expense in the statement of activities.		348,042
Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		76,138
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.		(67,229)
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.		
Increase in Compensated Absences	(50,462)	
Total		(50,462)
Net Change in Net Position of Governmental Activities		$ 1,436,182

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, 2014

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	$ 4,366,500	$ 4,366,500	$ 4,880,849	$ 514,349
Charges for Services	878,345	878,345	913,299	34,954
Fees, Licenses and Permits	1,500	1,500	1,725	225
Fines and Forfeitures	170,000	170,000	126,918	(43,082)
Intergovernmental	1,108,309	1,108,309	1,179,966	71,657
Interest	70,000	70,000	68,553	(1,447)
Other	48,849	48,849	61,170	12,321
Total Revenues	6,643,503	6,643,503	7,232,480	588,977
Expenditures				
Current:				
General Government:				
Legislative and Executive	1,977,111	2,034,537	1,920,974	113,563
Judicial	1,479,755	1,593,394	1,572,293	21,101
Public Safety	2,722,071	2,933,358	2,858,227	75,131
Public Works	27,234	28,763	27,157	1,606
Health	71,822	89,804	87,199	2,605
Human Services	636,910	639,346	621,240	18,106
Conservation and Recreation	205,949	205,949	204,915	1,034
Community and Economic Development	65,065	66,331	61,605	4,726
Capital Outlay	22,486	22,486	22,486	-
Debt Service:				
Principal Retirements	66,706	66,706	66,706	-
Interest	7,913	7,913	7,913	-
Total Expenditures	7,283,022	7,688,587	7,450,715	237,872
Excess of Revenues Over (Under) Expenditures	(639,519)	(1,045,084)	(218,235)	826,849
Other Financing Sources (Uses):				
Advances In	30,000	30,000	15,000	(15,000)
Transfers Out	(310,000)	(50,116)	(31,774)	18,342
Advances Out	-	-	(7,200)	(7,200)
Total Other Financing Sources (Uses)	(280,000)	(20,116)	(23,974)	(3,858)
Net Change in Fund Balance	(919,519)	(1,065,200)	(242,209)	822,991
Fund Balance at Beginning of Year	3,034,193	3,034,193	3,034,193	-
Prior Year Encumbrances Appropriated	75,916	75,916	75,916	-
Fund Balance at End of Year	$ 2,190,590	$ 2,044,909	$ 2,867,900	$ 822,991

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 Gas Tax Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Charges for Services	$ 131,200	$ 131,200	$ 135,595	$ 4,395
Fines and Forfeitures	30,000	30,000	20,093	(9,907)
Intergovernmental	4,829,806	4,829,806	4,860,359	30,553
Interest	300	300	2,285	1,985
Other	33,000	33,000	39,608	6,608
Total Revenues	5,024,306	5,024,306	5,057,940	33,634
Expenditures				
Current:				
Public Works	2,046,898	2,434,553	2,027,154	407,399
Capital Outlay	3,085,294	3,201,934	3,185,092	16,842
Debt Service:				
Principal Retirements	167,962	167,962	83,400	84,562
Interest and Fiscal Charges	1,152	1,152	1,152	-
Total Expenditures	5,301,306	5,805,601	5,296,798	508,803
Excess of Revenues Under Expenditures	(277,000)	(781,295)	(238,858)	542,437
Other Financing Sources:				
Transfers In	27,000	27,000	-	(27,000)
Proceeds of Notes and OPWC Loans	250,000	250,000	250,000	-
Total Other Financing Sources	277,000	277,000	250,000	(27,000)
Net Change in Fund Balance	-	(504,295)	11,142	515,437
Fund Balance at Beginning of Year	1,153,987	1,153,987	1,153,987	-
Prior Year Encumbrances Appropriated	112,065	112,065	112,065	-
Fund Balance at End of Year	$ 1,266,052	$ 761,757	$ 1,277,194	$ 515,437

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, 2014

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$ 1,520,943	$ 1,520,943	$ 1,682,923	$ 161,980
Charges for Services	-	-	131,120	131,120
Intergovernmental	1,304,550	1,439,325	1,553,122	113,797
Other	285,661	285,661	40,806	(244,855)
Total Revenues	3,111,154	3,245,929	3,407,971	162,042
Expenditures				
Current:				
Health	3,749,164	3,932,129	3,677,111	255,018
Debt Service:				
Principal Retirements	7,942	7,942	7,942	-
Interest & Fiscal Charges	1,180	1,180	1,180	-
Total Expenditures	3,758,286	3,941,251	3,686,233	255,018
Excess of Revenues Under Expenditures	(647,132)	(695,322)	(278,262)	417,060
Other Financing Uses:				
Transfers Out	(25,000)	(25,000)	-	25,000
Advances Out	-	-	(52,315)	(52,315)
Total Other Financing Uses	(25,000)	(25,000)	(52,315)	(27,315)
Net Change in Fund Balance	(672,132)	(720,322)	(330,577)	389,745
Fund Balance at Beginning of Year	1,038,624	1,038,624	1,038,624	-
Prior Year Encumbrances Appropriated	79,869	79,869	79,869	-
Fund Balance at End of Year	$ 446,361	$ 398,171	$ 787,916	$ 389,745

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, 2014

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$ 1,614,000	$ 1,614,000	$ 1,712,282	$ 98,282
Charges for Services	450,000	450,000	561,111	111,111
Intergovernmental	136,000	136,000	218,186	82,186
Total Revenues	2,200,000	2,200,000	2,491,579	291,579
Expenditures				
Current:				
Health	2,611,000	2,637,190	2,213,635	423,555
Total Expenditures	2,611,000	2,637,190	2,213,635	423,555
Net Change in Fund Balance	(411,000)	(437,190)	277,944	715,134
Fund Balance at Beginning of Year	589,068	589,068	589,068	-
Prior Year Encumbrances Appropriated	60,779	60,779	60,779	-
Fund Balance at End of Year	$ 238,847	$ 212,657	$ 927,791	$ 715,134

See accompanying notes to the basic financial statements.

Hocking County
Statement of Fund Net Position
Proprietary Fund
As of December 31, 2014

	Sewer Fund
Assets	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$ 225,522
Accounts Receivable (net of allowance, where applicable)	39,427
Total Current Assets	264,949
Noncurrent Assets	
Non-depreciable Capital Assets	29,000
Depreciable Capital Assets, Net	1,060,970
Total Noncurrent Assets	1,089,970
Total Assets	1,354,919
Liabilities	
Current Liabilities	
Accrued Wages and Benefits Payable	3,674
Intergovernmental Payable	1,366
Compensated Absences - Current	1,653
Revenue Bonds - Current	12,400
Total Current Liabilities	19,093
Noncurrent Liabilities	
Compensated Absences - Net of Current	8,255
Revenue Bonds - Net of Current	407,700
Total Noncurrent Liabilities	415,955
Total Liabilities	435,048
Net Position	
Net Investment in Capital Assets	669,870
Unrestricted	250,001
Total Net Position	$ 919,871

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, 2014

	Sewer Fund
Operating Revenues	
Charges for Services	$ 179,080
Total Operating Revenues	179,080
Operating Expenses	
Salaries and Wages	64,310
Fringe Benefits	21,771
Contractual Services	65,012
Depreciation	57,624
Materials and Supplies	11,265
Total Operating Expenses	219,982
Operating Loss	(40,902)
Nonoperating Expenses	
Interest and Fiscal Charges	(21,697)
Total Nonoperating Expenses	(21,697)
Change in Net Position Before Capital Contributions	(62,599)
Capital Contributions - Assessments	12,272
Total Capital Contributions	12,272
Change in Net Position	(50,327)
Net Position at Beginning of Year	970,198
Net Position at End of Year	$ 919,871

See accompanying notes to the basic finanical statements.

Hocking County
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2014

	Sewer Fund
Increase in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 181,449
Cash Payments to Suppliers for Goods and Services	(76,277)
Cash Payments to Employees for Services and Benefits	(82,117)
Net Cash Provided by Operating Activities	23,055
Cash Flows from Capital and Related Financing Activities:	
Capital Contributions- Special Assessments	12,272
Principal Payments	(11,800)
Interest Payments	(21,697)
Net Cash Used for Capital and Related Financing Activities	(21,225)
Net Increase in Cash and Cash Equivalents	1,830
Cash and Cash Equivalents at Beginning of Year	223,692
Cash and Cash Equivalents at End of Year	$ 225,522
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	$ (40,902)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	57,624
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	2,369
Increase in Intergovernmental Payable	446
Increase in Compensated Absences	1,404
Increase in Accrued Wages and Benefits Payable	2,114
Total Adjustments	63,957
Net Cash Provided by Operating Activities	$ 23,055

See accompanying notes to the basic financial statements.

Hocking County
Statement of Fiduciary Assets and Liabilities
Agency Funds
As of December 31, 2014

Assets		
Equity in Pooled Cash and Cash Equivalents	$	3,711,949
Cash and Cash Equivalents in Segregated Accounts		458,393
Taxes Receivable		17,995,929
Intergovernmental Receivable		1,350,002
Total Assets	$	23,516,273
Liabilities		
Due to Other Governments	$	22,746,872
Undistributed Monies		769,401
Total Liabilities	$	23,516,273

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 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 23 and 24 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 25-bed acute care 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 two joint ventures. 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
- South Central Ohio Job and Family Services

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 and agency listed below, the County serves as fiscal agent, but the districts and agency are not fiscally dependent on the County. Accordingly, the activity of the following districts and agency are presented as agency funds within the County's basic financial statements.

- Hocking County Soil and Water Conservation District
- Hocking County General Health District
- Hocking Valley Community Residential Center

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.

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 2014. 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, 2015. Therefore six months of receivables have been recorded for these revenue types.

Deferred Outflows and Deferred Inflows of Resources

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, 2014. 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, 2014, but which were levied to finance fiscal year 2015 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 delinquent 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 2014, the County had no investments.

Interest is distributed to the General Fund, the Motor Vehicle Gas Tax Fund and a non-major special revenue fund. The interest earned during 2014 amounted to $66,283, $2,449 and $166 respectively.

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 Plant	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. Long-term notes/loans 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 Vehicle Gas Tax	Board of Developmental Disablities	Emergency Medical Services
GAAP Basis	$ (4,362)	$ (121,596)	$ (177,005)	$ 418,151
Increases (Decreases) Due to:				
Revenue Accruals	(120,353)	(11,196)	3,199	(11,755)
Expenditure Accruals	38,051	324,461	(50,293)	(21,145)
Encumbrances	(94,809)	(180,527)	(106,478)	(107,307)
Perspective Difference:				
Activity of Funds Reclassified				
For GAAP Reporting Purposes				
Non-Budgeted Funds	(60,736)	-	-	-
Budget Basis	$ (242,209)	$ 11,142	$ (330,577)	$ 277,944

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.

<u>Cash on Hand</u> At year end, the County had $179,340 in un-deposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents".

NOTE 4 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Deposits At year-end, the County's bank balance of $16,857,653 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, 2014. 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 2014 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, 2014, was $11.20 per $1,000 of assessed value. The assessed values of real property upon which 2014 property tax receipts were based are as follows:

Real Estate	
Residential/Agricultural	$ 464,014,260
Commercial/Industrial	49,254,290
Public Utilities	89,520
Minerals	667,700
Tangible Personal Property	
Public Utilities	61,129,950
Total Property Taxes	$ 575,155,720

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 2014 amounted to $2,907,628.

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 2014 amounted to $726,725.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance at January 1, 2014	Additions	Deletions	Balance at December 31, 2014
Governmental Activities				
Non-Depreciable Capital Assets				
Land	$ 811,350	$ -	$ -	$ 811,350
Construction In Progress	170,421	166,518	(325,224)	11,715
Total Non-Depreciable Capital Assets	981,771	166,518	(325,224)	823,065
Depreciable Capital Assets				
Land Improvements	94,707	3,174	-	97,881
Buildings	4,224,723	319,816	-	4,544,539
Infrastructure	30,754,076	2,487,756	(342,876)	32,898,956
Vehicles	3,725,063	976,702	(39,490)	4,662,275
Machinery and Equipment	4,792,144	130,917	(101,108)	4,821,953
Total Depreciable Capital Assets	43,590,713	3,918,365	(483,474)	47,025,604
Less Accumulated Depreciation for				
Land Improvements	(47,070)	(6,809)	-	(53,879)
Buildings	(1,318,587)	(154,825)	-	(1,473,412)
Infrastructure	(13,585,908)	(1,260,651)	281,319	(14,565,240)
Vehicles	(2,058,985)	(246,130)	39,490	(2,265,625)
Machinery and Equipment	(2,912,104)	(306,209)	97,224	(3,121,089)
Total Accumulated Depreciation	(19,922,654)	(1,974,624)	418,033	(21,479,245)
Total Depreciable Capital Assets, Net	23,668,059	1,943,741	(65,441)	25,546,359
Governmental Activities Capital Assets, Net	$ 24,649,830	$ 2,110,259	$ (390,665)	$ 26,369,424

NOTE 7 - CAPITAL ASSETS – (CONTINUED)

	Balance at January 1, 2014	Additions	Deletions	Balance at December 31, 2014
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	1,816,084	-	-	1,816,084
Total Depreciable Capital Assets	2,165,590	-	-	2,165,590
Less Accumulated Depreciation for				
Wastewater Treatement Plant	(282,866)	(21,147)	-	(304,013)
Collection System	(764,130)	(36,477)	-	(800,607)
Total Accumulated Depreciation	(1,046,996)	(57,624)	-	(1,104,620)
Total Depreciable Capital Assets, Net	1,118,594	(57,624)	-	1,060,970
Business Type Activities Capital Assets, Net	$ 1,147,594	$ (57,624)	$ -	$ 1,089,970

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	$ 109,096
Judical	20,655
Public Safety	249,310
Public Works	1,418,366
Health	143,727
Human Services	30,885
Conservqation and Recreation	2,585
Total Depreciation Expense - Governmental Activities	$ 1,974,624

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	137,857
Other	195,047
Total General Fund	531,903
Motor Vehicle Gas Tax	
License, Gasoline & Permissive Taxes	1,659,401
Other	7,661
Total Motor Vehicle Gas Tax	1,667,062
Board of Developmental Disabilities	
Grants and Entitlements	209,888
Homestead Rollback	108,509
Total Board of Developmental Disablilities	318,397
Emergency Medical Services	
Homestead Rollback	108,552
Total Emergency Medical Services	108,552
Total Major Funds	2,625,914
Other Governmental Funds	
Grants and Entitlements	63,275
Homestead Rollback	14,807
Total Other Governmental Funds	78,082
Total Intergovernmental Receivables Governmental Funds	$ 2,703,996
Agency Funds	
License, Gasoline and Permissive Taxes	$ 586,318
Undivided Library Tax	368,489
Local Government	390,195
Other	5,000
Total Agency Funds	$ 1,350,002

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 2014, Hocking County paid $126,458 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.

B. 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.

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

D. 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.

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, 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 2014, 2013, and 2012 member contribution rates were 10.0%, 10.0%, and 10.0%, respectively, for members in state and local classifications and 12.0% and 13.0%, 12.0% and 12.6%, and 11.5% and 12.10%, respectively for members in public safety and law enforcement.

The 2014, 2013 and 2012 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 18.10%, respectively.

The County's contributions to OPERS for the years ended December 31, 2014, 2013, and 2012, were $1,294,724, $1,253,401, and $1,442,139, respectively. 88.3% has been contributed for 2014 and 100% for years 2013 and 2012. Of the 2014 amount, $151,804 was unpaid at December 31, 2014 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, 2014, 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 2014, 2013, and 2012, 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 18.10%, 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. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% during calendar year 2014. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. For January 1, 2015, the portion of employer contributions allocated to healthcare remained at 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. 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 $216,051, $416,974, and $479,094, for 2014, 2013 and 2012 respectively. 88.3% has been contributed for 2014 and 100% for years 2013 and 2012.

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 12/31/2013	Increases	Decreases	Outstanding 12/31/2014	Due Within One Year
Long-Term Notes:					
2003 - 4.15% (Original Issue $277,692)					
Juvenile Detention Facility Note	$ 166,767	$ -	$ 13,787	$ 152,980	$ 14,359
2012 - 2.75% (Original Issue $520,000)					
Logan-Health Department	450,875	-	47,716	403,159	49,054
2010 - 0.00% (Original Issue $202,000)					
OPWC Note - CR 33A Bridge Replacement	80,800	-	40,400	40,400	40,400
2014 - 0.00% (Original Issue $250,000)					
OPWC County Paving	-	250,000	-	250,000	25,000
2013 - 2.47% (Original Issue $69,000)					
Citizens Bank Note - Excavator	46,000	-	23,000	23,000	23,000
OWDA Loan - 2012 HSTS Project	-	152,155	152,155	-	-
OWDA Loan - 2013 HSTS Assistance	-	47,484	47,484	-	-
OPWC Loan - 2013 County-City Paving Project	200,000	-	20,000	180,000	20,000
Total Long-Term Notes	944,442	449,639	344,542	1,049,539	171,813
Special Assessment Bonds:					
1996 - 5.5% (Original Issue $53,500)					
Rockbridge Sewer Special Assessment Bonds	14,800	-	3,500	11,300	3,600
Total Special Assessment Bonds	14,800	-	3,500	11,300	3,600
Capital Leases	108,262	67,229	76,138	99,353	55,846
Compensated Absences	650,934	833,547	783,085	701,396	115,056
Total General Long-Term Obligations	$ 1,718,438	$ 1,350,415	$ 1,207,265	$ 1,861,588	$ 346,315
Enterprise Funds					
1996 - 4.5% (Original Issue $333,000					
Rockbridge Sanitary Sewer Revenue Bonds	$ 267,400	$ -	$ 6,400	$ 261,000	$ 6,700
1991 - 5.875% (Original Issue $227,000)					
Haydenville Sewer FmHA Revenue Bonds	164,500	-	5,400	159,100	5,700
Total Revenue Bonds	431,900	-	11,800	420,100	12,400
Compensated Absences	8,504	11,775	10,371	9,908	1,653
Total Enterprise Fund	$ 440,404	$ 11,775	$ 22,171	$ 430,008	$ 14,053

NOTE 13 - LONG-TERM DEBT – (CONTINUED)

The County has pledged future special assessment revenues to repay $11,300 (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 $12,332. Principal and interest paid for the current year and total special assessment revenues were $4,116, and $3,960.

The County has pledged future sewer customer revenues, net of specified operating expenses, to repay $261,000 and $159,100 (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 generally expected to require approximately 46 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $680,136. Principal and interest paid for the current year and total customer net revenues were $33,497 and $16,722, 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 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 $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.

During 2014, the County issued two OWDA loans in the amounts of $152,155 and $47,484 for the Home Sewage Treatment System (HSTS) projects. These OWDA loans were paid in 2014 by grant funding from the American Reinvestment and Recovery Act.

During 2013, the County issued $69,000 in long term notes for the purpose of purchasing an excavator at an interest rate of 2.47%. The note is being repaid from the Motor Vehicle Gas Tax Fund.

During 2013, the County issued an OPWC loan in the amount of $200,000 at 0% interest for the County-City Paving Project. The OPWC loan is being repaid from the Motor Vehicle Gas Tax Fund.

During 2014, the County issued an OPWC loan in the amount of $250,000 at 0% interest for the County Paving Project. This loan is being repaid from the Motor Vehicle Gas Tax Fund.

NOTE 13 - LONG-TERM DEBT – (CONTINUED)

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

	Logan-Health Department Notes		Special Assessment Bonds		Sanitary Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	53,295	6,843	-	-	14,500	19,084
2019	54,789	5,149	-	-	15,200	18,338
2020-2024	143,777	6,068	-	-	88,300	79,126
2025-2029	-	-	-	-	113,700	53,789
2030-2034	-	-	-	-	98,600	23,732
2035-2037	-	-	-	-	50,700	4,631
Totals	$ 403,159	$ 46,576	$ 11,300	$ 1,032	$ 420,100	$ 260,036

	Juvenile Detention Facility Notes		CR33A Bridge Replacement OPWC	CR17R County-City Paving Project OPWC	CR19R County Paving Project OPWC	Citizens Bank Excavator Notes	
	Principal	Interest	Principal	Principal	Principal	Principal	Interest
2015	$ 14,359	$ 6,349	$ 40,400	$ 20,000	$ 25,000	$ 23,000	$ 576
2016	14,940	5,768	-	40,000	50,000	-	-
2017	15,575	5,133	-	40,000	50,000	-	-
2018	16,221	4,486	-	40,000	50,000	-	-
2019	16,894	3,813	-	40,000	50,000		
2019-2023	74,991	7,954	-	-	25,000	-	-
Totals	$ 152,980	$ 33,503	$ 40,400	$ 180,000	$ 250,000	$ 23,000	$ 576

Hocking Valley Community Hospital is responsible for the debt service on 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

In previous fiscal years, the County entered into capital leases for various vehicles and equipment. During 2014 the County entered into a capital lease for two vehicles. The leases were recorded as an other financing source and capital outlay in the amount of $67,229 in the governmental funds. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. The leases are being repaid from the General Fund, the Board of Developmental Disabilities Fund, and the Senior Citizens Fund.

The capital assets acquired by the leases have been capitalized in the statement of net position for governmental activities in the amount of $258,486 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 2014 totaled $76,138 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, 2014.

Fiscal Year Ending June 30,	Amount
2015	$ 62,424
2016	37,717
2017	6,773
2018	1,309
Total	108,223
Less Amount Representing Interest	(8,870)
Present Value of Net Minimum Lease Payments	$ 99,353

NOTE 15 - INTERFUND TRANSACTIONS

As of December 31, 2014, receivables and payables that resulted from various interfund transactions were as follows. The County's General Fund made advances to other funds in anticipation of intergovernmental grant revenue. The Board of Developmental Disabilities Fund made an advance to the Developmental Disabilities Permanent Improvement Fund for construction purposes. These will be repaid in fiscal year 2015. 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 Funds:				
General	$ -	$ 22,200	$ -	$ -
Motor Vehicle Gas Tax	-	-	-	1,171
Board of Developmental Disabilities	-	52,315	-	21,107
EMS	-	-	1,171	-
Total Major Funds	-	74,515	1,171	22,278
Non-Major Special Revenue Funds:				
Mental Health Collaboration	15,000	-	-	-
Family and Children First	-	-	1,800	-
High Visibility Enforcement	7,200	-	-	-
Childrens Trust	-	-	1,432	-
Help Me Grow	-	-	17,875	-
Total Non-Major Special Revenue Funds	22,200	-	21,107	-
Non-Major Capital Projects Fund:				
Developmental Disabilities Permanent Improvement	52,315	-	-	-
Total All Funds	$ 74,515	$ 74,515	$ 22,278	$ 22,278

NOTE 15 - INTERFUND TRANSACTIONS - (CONTINUED)

Fund Type/Fund	Transfers In	Transfers Out
Major Fund		
General Fund	$ -	$ 48,301
Total Major Fund	-	48,301
Other Governmental Funds		
Non-Major Special Revenue Funds		
VOCA Grant	11,593	-
Hocking County 911	-	80,000
Wireless NG 911	80,000	-
Municipal Clerk's Computer	20,000	-
Total Non-Major Special Revenue Funds	111,593	80,000
Non-Major Debt Service Fund		
General Obligation Debt Fund	16,708	-
Total Non-Major Debt Service Fund	16,708	-
Total Other Governemental Funds	128,301	80,000
Total All Funds	$ 128,301	$ 128,301

During the year, the County provided transfers from the General Fund to the various 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 911 Fund to the Wireless NG 911 is to provide funding for the startup of the Wireless NG 911 Fund. All transfers were done in accordance with the Ohio Revised Code.

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.

NOTE 16- JOINTLY GOVERNED ORGANIZATIONS - (CONTINUED)

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 VENTURES

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 2014, contributed $801,231 toward the operating and capital costs of this facility. However the County has no explicit equity interest in the Commission. Complete financial statements of the joint venture can be obtained from the Corrections Commission of Southeastern Ohio, 16678 Wolfe Bennett Road, Nelsonville, Ohio 45764.

NOTE 17 – JOINT VENTURES - (CONTINUED)

South Central Ohio Job and Family Services

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 Services, Children Services, and Child Support Enforcement Agency departments are being provided through the SCOJFS. The SCOJFS is treated by the County as a joint venture of its member counties which include Hocking, Vinton, and Ross.

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, 2014, the outstanding balance on this loan was $35,149. 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 – NEW ACCOUNTING PRINCIPLES

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined; while the precise impact is not known, it is deemed likely that this pronouncement would have a material impact on the County. The provisions of this statement are effective for the fiscal year ending December 31, 2015, and therefore will be adopted in the next fiscal year.

NOTE 21 – FUND BALANCES

Fund Balances	General	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Unclaimed Monies	$ 140,480	$ -	$ -	$ -	$ -	$ 140,480
Materials & Supplies Inventories	-	406,225	-	-	-	406,225
Total of Nonspendable	140,480	406,225	-	-	-	546,705
Restricted For:						
Debt Service	-	-	-	-	38,761	38,761
Capital Projects	-	-	-	-	740,511	740,511
Family and Children First	-	-	-	-	217,341	217,341
Motor Vehicle Gas Tax	-	1,801,776	-	-	-	1,801,776
Senior Citizens	-	-	-	-	422,004	422,004
Hocking County 911	-	-	-	-	1,167,995	1,167,995
Law Library	-	-	-	-	171,305	171,305
Board of Developmental Disabilities	-	-	988,274	-	-	988,274
Emergency Medical Services	-	-	-	969,331	-	969,331
Real Estate Assessment	-	-	-	-	673,915	673,915
Other Purposes	-	-	-	-	1,787,758	1,787,758
Total Restricted	-	1,801,776	988,274	969,331	5,219,590	8,978,971
Committed	20,133	-	-	-	-	20,133
Assigned		-	-	-	-	-
For 2015 Appropriations	1,160,979	-	-	-	-	1,160,979
For Encumbrances	69,886					69,886
Total Assigned	1,230,865	-	-	-	-	1,230,865
Unassigned (deficit)	2,543,786	-	-	-	(10,999)	2,532,787
Total Fund Balances	$ 3,935,264	$ 2,208,001	$ 988,274	$ 969,331	$ 5,208,591	$ 13,309,461

NOTE 22 – ACCOUNTABILITY

As of December 31, 2014, the ARRA Household Sewage Treatment, Hocking County Integrated Intervention/CCA, Mental Health Collaboration-Juvenile, Sheriff LEBG, High Visibility Enforcement and the Drug Court Enhancement Project – Municipal Special Revenue Funds had deficit fund balances in the amount of $6,952, $233, $730, $91, $2,839 and $154, respectively due to the implementation of GAAP.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY 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.

In accordance with GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," as amended by GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34," The Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation) is included as a discretely presented component unit in a separate column in the Hospital's financial statements to emphasize that it is legally separate from the Hospital. The Foundation is a legally separate not-for-profit corporation. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the Hospital in support of its programs. Although the Hospital does not control the timing or the amounts of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to support the activities of the Hospital. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the Hospital, it is considered a component unit of the Hospital. For reporting purposes, Hocking County has included the financial statements of the Foundation within the financial statements of the Hospital on the County's Statement of Net Position and Statement of Activities.

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

Additional information regarding the Hospital and the Foundation may be obtained from Hocking Valley Community Hospital, 601 State Route 664 North, Logan, Ohio 43138.

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.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 2. Summary of Significant Accounting Policies (Continued)

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 for funding to the foundation which represent amounts paid to the foundation for the benefit of Hocking Valley Medical Group (see Note 13 within Note 23).

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 (reported within net patient service revenue) 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 of the provision for bad debts 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.

Deposits with South Central Ohio Insurance Consortium: The Hospital participates in an insurance consortium for employee health insurance costs. The amount reflected on the statements of net position represents assets held by the consortium to cover unpaid claims at year-end.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 2. Summary of Significant Accounting Policies (Continued)

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 straight-line method of depreciation using these asset lives:

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

Depreciation expense on capital leases is included in depreciation and amortization in the statement of activities. 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.

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 2014 because management determined that the overall impact to the Hospital's financial statements is immaterial.

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 net position results when constraints placed on the use of the net position are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is remaining net position that does not meet the previously stated criterion.

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, 2014. For medical malpractice, the Hospital has professional liability insurance with a commercial carrier.

Restricted investments: Restricted investments consist of assets maintained by the Foundation whose use is restricted by a donor.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 2. Summary of Significant Accounting Policies (Continued)

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.

The Foundation records its investments at fair value in accordance with the *Investments Topic* of the Accounting Standards Codification. Differences between cost and fair value are recognized as unrealized gains or losses in the period in which they occur. The realized gain or loss on investment is the difference between the proceeds received and the cost of investments sold.

Certificates of deposit: The Hospital and Foundation record their investments in certificates of deposit at cost, while the Foundation records their investments in certificates of deposit at cost plus accrued interest. The certificates of deposit are classified on the statement of net position based on maturity date.

Concentration risk: Financial instruments that potentially subject the Hospital and the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and for the Hospital, patient accounts receivable. The Hospital and the Foundation place their cash and cash equivalents with high credit quality financial institutions. As it relates to the Hospital, concentration of credit risk relating to patient accounts receivable is limited to some extent by the diversity and number of the 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 patient accounts receivable. The Hospital maintains an allowance for uncollectible accounts based on the expected collectability of patient accounts receivable.

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 Hospital received $652,739 in outpatient UPL payments in 2014 which are reflected in net patient service.

Hospital Care Assurance Program (HCAP): As a public health care provider, the Hospital renders services to residents of Hocking County and others regardless of ability to pay. 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. HCAP amounts included in net patient service revenue amount to $1,258,442 for the year ended December 31, 2014 which represents the difference between the Hospital's 2014 allocation in the amount of $1,483,053 and the assessments paid by the Hospital in the amount of $224,611. Included in prepaid expense and other assets is $1,483,053 related to HCAP.

Franchise fee: Effective July 1, 2009, the State of Ohio began assessing a franchise fee to hospitals to fund health care programs. The Hospital incurred franchise fee expense of $442,278 and $487,201 in 2014 and 2013, respectively, and recorded the amount in supplies and other expenses in the statements of revenues, expenses and changes in net position. There was no franchise fee liability payable to the State of Ohio at December 31, 2014 and 2013.

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 $2,228,858 in 2014.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 3. Changes in Accounting Principles and Recent Accounting Pronouncements

GASB has issued the following statements that have been recently implemented by the Hospital:

GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as merger, acquisitions, and transfers of operations. The Hospital implemented the provisions of this Statement for the year ended December 31, 2014.

GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The Hospital implemented the provisions of this Statement for the year ended December 31, 2014.

There was no significant impact to the financial statements as a result of the implementation of these two Statements.

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

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions,* 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). The Hospital is required to implement the provisions of this Statement for the year ending December 31, 2015.

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. The Hospital is required to implement the provisions of this Statement for the year ending December 31, 2016.

The implementation of these Statements is expected to have a material impact on the financial statements, note disclosures and required supplementary information of the Hospital.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

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. Through December 31, 2014, FDIC insurance for funds held in interest bearing accounts is $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, 2014, totaled $1,076,633, and were subject to the following categories of custodial credit risk:

	2014
Uncollateralized	$ -
Collateralized held by the counterparty's agent, but not in the Hospital's name	757,454
Total amount subject to custodial risk	757,454
Amount insured	319,179
Total bank balances	$ 1,076,633

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

Note 4. Deposits and Investments (Continued)

The Hospital's investments generally are reported at fair value, as discussed in Note 2 within Note 23. At December 31, 2014, 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	
	2014	Less than 1 Year	1-5 Years
U.S. Government Agencies			
AA+	$ 2,600	$ -	$ 2,600
Money Market Funds			
AAA	119,771	119,771	-
Not rated	347,173	347,173	-
	$ 469,544	$ 466,944	$ 2,600

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, 2014, 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.

The Foundation: As of December 31, 2014, the fair values of the Foundation's investments were as follows:

Mutual funds	$365,585
Exchange traded funds	86,921
Money market funds	432
Total investments	$452,938

The Foundation's investments are reflected in the statement of net position as follows at December 31, 2014:

Investments - current assets	$ 209,121
Restricted investments - noncurrent assets	243,817
Total	$ 452,938

The Foundation's investment income for the year ended December 31, 2014 consisted of the following:

Interest and dividends, net of investment management fees	$ 8,489
Net change in unrealized gains	24,257
Total	$ 32,746

NOTE 23– COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 4. Deposits and Investments (Continued)

Fair value measurements: Generally Accepted Accounting Principles for the Foundation establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are those that market participants would use in measuring investments at fair value based on market data obtained from sources independent of the agency. Unobservable inputs reflect the Foundation's assumptions about the inputs market participants would use in measuring investments at fair value based on the best information available in the circumstances. Investments are measured and disclosed in one of the three levels based on the reliability of inputs:

- Level 1 – Valuations based on quoted market prices in active markets for identical investments as of the reporting date.

- Level 2 – Valuations based on other than quoted market prices in active markets, dealer or broker markets. Fair values are primarily obtained from third party pricing services for similar investments as of the reporting date.

- Level 3 – Valuations derived from other methodologies, including pricing models, discounted cash flow models and similar techniques, and not based on market, dealer, or broker-traded transactions. The determination of fair value requires significant management judgment or estimation.

Level 3 valuations incorporate certain assumptions and projections that are not observable in the market in determining the fair value for investments and assets held by others as of the reporting date. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosures purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

The Foundation's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances that caused the transfer.

The following is a description of the valuation techniques used for the Foundation's investments measured at fair value:

Mutual funds and exchange traded funds: The Foundation's investments in these securities are traded on a public exchange. The valuation techniques for securities have been consistent year over year.

Privately held common stock: During 2014, the investment in privately held common stock was sold. The investment was comprised of holdings in a private corporation's class A common stock. The investment was valued at fair value from reports provided by the corporation's management. The Foundation was credited a pro rata share of investment returns based upon units of ownership interest.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 4. Deposits and Investments (Continued)

The following investments were measured at fair value on a recurring basis as of December 31, 2014, using unadjusted quote prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	Level 1	Level 2	Level 3	Total
Exchange traded funds				
Bonds, Aa	$ 45,386	$ -	$ -	$ 45,386
Domestic	35,816	-	-	35,816
International	5,719	-	-	5,719
Mutual funds				
Domestic	269,356	-	-	269,356
International	96,229	-	-	96,229
	$ 452,506	$ -	$ -	452,506
Money market funds				432
Total				$ 452,938

Note 5. Capital Assets

Capital assets additions, retirements and balances as of and for the year ended December 31, 2014:

2014	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 255,120	$ -	$ -	$ 255,120
Construction in progress	371,460	389,801	(570,801)	190,460
Total nondepreciated capital assets	626,580	389,801	(570,801)	445,580
Depreciable capital assets:				
Land improvements	439,175	-	(128,651)	310,524
Buildings and improvements	15,090,055	62,060	(168,414)	14,983,701
Equipment	12,768,892	780,650	(347,918)	13,201,624
Total depreciated capital assets	28,298,122	842,710	(644,983)	28,495,849
Less accumulated depreciation				
Land improvements	(329,638)	(13,636)	128,651	(214,623)
Buildings and improvements	(7,916,191)	(453,393)	195,453	(8,174,131)
Equipment	(9,628,514)	(1,090,696)	891,680	(9,827,530)
Total accumulated depreciation	(17,874,343)	(1,557,725)	1,215,784	(18,216,284)
Total depreciable capital assets, net	10,423,779	(715,015)	570,801	10,279,565
Total capital assets, net	$ 11,050,359	$ (325,214)	$ -	$ 10,725,145

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 5. Capital Assets (Continued)

Total depreciation expense related to the Hospital's capital assets for 2014 was $1,557,725.

The Foundation: The Foundation's capital asset activity for the year ended December 31, 2014 was as follows:

2014	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 161,834	$ -	$ -	$ 161,834
Total nondepreciated capital assets	161,834	-	-	161,834
Depreciable capital assets:				
Buildings and improvements	778,490	-	-	778,490
Equipment	12,421	-	-	12,421
Total depreciated capital assets	790,911	-	-	790,911
Less accumulated depreciation				
Buildings and improvements	(275,129)	(28,558)	-	(303,687)
Equipment	(12,421)	-	-	(12,421)
Total accumulated depreciation	(287,550)	(28,558)	-	(316,108)
Total depreciable capital assets, net	503,361	(28,558)	-	474,803
Total capital assets, net	$ 665,195	$ (28,558)	$ -	$ 636,637

Total depreciation expense related to the Foundation's capital assets for 2014 was $28,558.

The cost of equipment under capital lease included in capital assets as of December 31, 2014 was as follows:

Cost of equipment under capital lease	$3,661,565
Accumulated amortization	(2,230,332)
Net carrying amount	$1,431,233

Note 6. Line of Credit

The Hospital has a $1,000,000 line of credit with a bank. There was a $396,000 balance outstanding at December 31, 2014. Interest on the line of credit is a fixed rate of 4.55% at December 31, 2014. The loan is secured by patient accounts receivable.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

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, 2014 is as follows:

	2014				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
1999 County Hospital Refunding and Improvement Bond Series	$ 1,025,000	$ -	$ (150,000)	$ 875,000	$ 160,000
Note payable, Hocking Valley Community Hospital Memorial Fund, Inc.	500,002	-	(155,017)	344,985	244,985
Capital lease obligations	1,174,669	498,343	(600,733)	1,072,279	393,820
	2,699,671	498,343	(905,750)	2,292,264	798,805
Bond discount	(14,155)	-	2,399	(11,756)	(2,365)
Long-term debt	$ 2,685,516	$ 498,343	$ (903,351)	$ 2,280,508	$ 796,440

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 1999 Bonds are unvoted general obligations of the County.

The Hospital's note payable to the Foundation requires quarterly payments of $25,000 commencing March 2012 through December 2016, when a final payment of $25,002 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. The Foundation has reflected this balance as a corresponding note receivable on its statement of net position at December 31, 2014. For purposes of reporting on Hocking County's basic financial statements the note payable and note receivable have been eliminated from the Statement of Net Position.

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 2019.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 7. Long-Term Debt and Capital Lease Obligations (Continued)

Long-term debt and capital lease obligation payment requirements for fiscal years subsequent to December 31, 2014, are as follows:

	Capital Lease Obligations			Long-Term Debt		
	Principal	Interest	Total	Principal	Interest	Total
2015	$ 393,820	$ 56,033	$ 449,853	$ 404,985	$ 41,563	$ 446,548
2016	272,254	35,469	307,723	265,000	33,963	298,963
2017	263,635	15,119	278,754	175,000	26,125	201,125
2017	131,499	3,006	134,505	185,000	17,813	202,813
2018	11,071	874	11,945	190,000	9,025	199,025
	$ 1,072,279	$ 110,501	$ 1,182,780	$ 1,219,985	$ 128,489	$ 1,348,474

Bond discount	(11,756)
Total long-term debt, net	$ 1,208,229

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 11 within Note 23 for additional information. As of December 31, 2014, management has determined that there is $18,116 due to third-party payors.

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 400 hours, 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. Upon retirement, employees with a minimum of 10 years of service have sick leave balances paid out at 25% of eligible hours at their current rate of pay. The maximum payout is 240 hours. As of December 31, 2014, the liability for accrued vacation and sick leave was $980,074.

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, 2014 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Accrued vacation	$ 777,039	$ 613,955	$ 543,698	$ 847,296	$ 378,712
Accrued sick leave	144,965	57,494	69,681	132,778	35,741
	$ 922,004	$ 671,449	$ 613,379	$ 980,074	$ 414,453

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 9. Other Long-Term Liabilities (Continued)

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 as well as being self-insured for employee health insurance.

Medical malpractice: 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, 2014.

Employee health insurance: For the employee health claims, a historical analysis has been performed of incurred but unpaid claims to determine the liability at December 31, 2014 and 2013. 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 activity and balances as of and for the years ended December 31, 2014 and 2013 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
2014	$ 293,298	$ 2,991,145	$ 2,953,520	$ 330,923
2013	330,377	3,351,164	3,388,243	293,298

Note 10. Endowment

Foundation:
Endowment funds: The Foundation's endowment consists of an individual donor restricted endowment fund established for operating purposes. Its endowment includes both a donor – restricted endowment fund and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net position associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor - imposed restrictions.

Interpretation of relevant law: The Board of Directors of the Foundation has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as restricted, nonspendable net position as (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. In addition, UMIFA introduced the concept of total return expenditure of endowment net position for charitable program purposes, expressly permitting prudent expenditure of endowment net position for charitable program purposes, expressly permitting prudent expenditure of both appreciation and income. Thus asset growth and income can be appropriated for program purposes, subject to the rule that a fund cannot be spent below "historic dollar value." The portion of the donor-restricted endowment fund that is not classified in restricted, nonspendable net position will be classified as restricted, program activities net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation will consider the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 10. Endowment (Continued)

(1) The duration and preservation of the fund
(2) The purposes of the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and appreciation of investments
(6) Other resources
(7) The investment policies

Changes in net position related to endowments for the year ended December 31, 2014 are as follows:

	Unrestricted Net Position	Restricted Net Position	Restricted, Nonspendable Net Position	Total
Balance at January 1, 2014	$ 290,000	$ 89,026	$ 139,236	$ 518,262
Net investment income	-	15,555	-	15,555
Balance at December 31, 2014	$ 290,000	$ 104,581	$ 139,236	$ 533,817

Endowment net position composition by type of fund as of December 31, 2014 is as follows:

	Unrestricted Net Position	Restricted Net Position	Restricted, Nonspendable Net Position	Total
Funds functioning as endowment	$ 290,000	$ -	$ -	$ 290,000
Donor-restricted endowment	-	104,581	139,236	243,817
	$ 290,000	$ 104,581	$ 139,236	$ 533,817

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, there are no deficiencies of this nature that are reported in unrestricted net position.

Return objectives and risk parameters: The Foundation has adopted an investment policy for endowment assets that attempts to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor specified period as well as unrestricted net position designated as endowment. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a variety of indexes/benchmarks, which include the S&P 500 index, while assuming a moderate level of investment risk. Long term investment performance is expected to exceed the trailing three-year average of the appropriate benchmark.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 10. Endowment (Continued)

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The Foundation seeks to maximize the long-term total return of its financial assets consistent with its current and future funding needs. In line with these objectives, it is the intent of the Foundation that all income and capital gains generated in the portfolio to be retained within the endowment fund and periodically reinvested in accordance with the Investment Policy. It will be the policy of the Foundation to transfer from the endowment funds to available funds an amount not to exceed 75% of the total return earned by the endowment. In this way, a portion of the total return will be added back to the principal of the fund to provide growth of the fund. The transfer of available funds shall also be limited in such a manner as to not decrease the designated principal of the fund. Available funds earned that are required to maintain the principal will not be transferred.

This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 11. Net Patient Service Revenue

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

Medicare and Medicaid Electronic Health Records (EHR) Incentive Programs: The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that "meaningfully use" certified electronic health record (EHR) technology. The Hospital has implemented certified EHR technology that has enabled it to demonstrate its meaningful use and to qualify for the incentive programs.

Medicare payments to CAHs are based on the Medicare-defined reasonable costs of furnishing Medicare-covered services to beneficiaries. Medicare reimburses CAHs for the undepreciated cost of capital assets related to EHR technology. Final settlements will be determined after the submission of the current annual cost reports and subsequent audits by the fiscal intermediary.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 11. Net Patient Service Revenue (Continued)

CAHs that are not meaningful users will be subject to a payment adjustment for federal fiscal year (FFY) 2015. This payment adjustment is applicable to a CAH's Medicare reimbursement for inpatient services during the cost reporting period in which they failed to demonstrate meaningful use. If a CAH has not demonstrated meaningful use for an applicable reporting period, then for a cost reporting period that begins in FFY 2015, its reimbursement would be reduced from 101 percent of its reasonable costs to 100.66 percent. For a cost reporting period beginning in FFY 2016, its reimbursement would be reduced to 100.33 percent of its reasonable costs. For a cost reporting period beginning in FFY 2017 and each subsequent fiscal year, its reimbursement would be reduced to 100 percent of reasonable costs.

During the year ended December 31, 2014, the Hospital recognized approximately $485,000 in meaningful-use incentive payments based on the undepreciated cost of capital assets related to HER technology. The Hospital views the earnings process as having been completed in the period in which the meaningful-use criteria are met and therefore recognized the entire payment as revenue at that time. Because the incentive payments are directly linked to the payments the Hospital receives for providing care to Medicare beneficiaries, the Hospital considers the incentive payments to be part of net patient service revenue.

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 2014, approximately 50% of the Hospital's total net patient revenue was derived from Medicare payments while 7% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance 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 an unfavorable adjustment of $392,265 to net patient service revenue in 2014 due to prior year retroactive adjustments previously estimated and other changes in estimates.

Gross patient service revenue and the allowances to reconcile to net patient service revenue for the year ended December 31, 2014 is as follows:

	2014
Gross patient service revenue	$ 84,151,314
Less third-party contractual allowances	46,877,251
Less provision for bad debts	3,392,130
Net patient service revenue	$ 33,881,933

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 12. 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 (vested) member and employee contributions plus any investment earnings. OPERS provides retirement, disability, survivor, and post employment healthcare benefits, to the Traditional Pension and Combined Plan members. Participants in the Member-Directed Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefits to the OPERS Board of Trustees. 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 the statutory authority for employee and employer contributions. For the years ended December 31, 2014, 2013, and 2012, the employee contribution rate was 10.0% of covered payroll and the Hospital was required to contribute 14.0% of covered payroll. For 2014, member and employee contribution rates were consistent across all three plans. The Hospital's contributions to OPERS for the years ended December 31, 2014, 2013, and 2012 were $1,760,205, $1,760,995 and $1,963,571, respectively, equal to the required contribution for each year.

Post-retirement 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. OPERS' eligibility requirements for post-employment healthcare coverage changed for those retiring on and after January 1, 2015. Details of the changes are available in the Plan Statement in the OPERS 2013 CAFR.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

The Ohio Revised Code provided the statutory authority requiring public employers 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 employment healthcare benefits.

The employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014, the employer contribution was 14.0% of earnable salary. The Ohio Revised Code limits the employer contribution to a rate not to exceed 14.0% of earnable salary. Active members do not make contributions to the OPEB plan.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 12. Benefit Plans (Continued)

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 and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the healthcare provided. Payment amounts vary depending on the coverage selected and the number of covered dependents. The Hospital's contributions for 2014, 2013, and 2012 used to fund post-retirement healthcare benefits were $246,539, $503,116 and $560,992, respectively, which are included in the Hospital's contractually required contribution of $1,760,205, $1,760,995 and $1,963,571 for the years ended December 31, 2014, 2013 and 2012, respectively.

Changes to the healthcare 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 4.0% of the employer contributions toward the healthcare fund after the end of the transition period.

Note 13. Related Parties

Hocking Valley Community Hospital Memorial Fund, Inc.: The Hospital is the primary beneficiary of The Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation). The Foundation is a separate not-for-profit entity organized for the purpose of soliciting gifts for the benefit of the Hospital. The Hospital received support from the Foundation in the amount of $127,585 in 2014, which is recorded as capital grants and contributions on the statements of revenues, expenses and changes in net position. In addition, the Foundation advanced $170,000 to the Hospital in 2013 and $330,002 in 2012, for capital acquisitions as disclosed in Note 7 within Note 23.

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:

2015	$75,075
2016	75,075
2017	75,075
2018	56,306
Total future minimum lease payments	$281,531

Hocking Valley Medical Group, Inc. (HVMG): HVMG is 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 financial activities of HVMG are not consolidated with that of the Foundation because of the absence of the criteria, control and economic interest, that would require consolidation.

During the year ended December 31, 2014, the Hospital disbursed funds totaling $1,916,000 on behalf of HVMG to fund operating deficits, respectively. This amount was 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, 2014.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (CONTINUED)

Note 13. Related Parties (Continued)

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' members. The Board of Trustees of the Hospital controls 50% of the voting rights of the HVHS Board. HVHS has not entered into any financial activities as of or for the years ended December 31, 2014. Therefore, the Hospital's financial statements exclude the activities of HVHS.

Note 14. 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.

Centers 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 authorized the expansion of the RAC program to all 50 states by 2010. The Centers for Medicare and Medicaid Services (CMS) has rolled out this program nationally.

NOTE 24 - 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, 2014:

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 as well as cleaning and lawn care services provided to local businesses and government.

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, 2014.

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.

In-kind contributions and related expense is estimated based on unaudited data utilizing cost report calculations.

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. Accounts receivable for program service fees are reported at the amount the Organization expects to be reimbursed by Medicaid based on approved reimbursement rates in place at the time that service is provided. 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.

NOTE 24 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC. - Continued

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 $8,287 for the year ended December 31, 2014.

Presentation of Sales Tax

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was $1,516 for the year ended December 31, 2014.

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 2011 and beyond remain subject to examination by Internal Revenue Service.

The Agency did not have unrecognized tax benefits as of December 31, 2014 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, 2014, the Agency has not accrued interest or penalties related to uncertain tax positions.

Vacation Accrual

In September 2013, the Agency changed its policy for accruing vacation and the criteria in which an employee is eligible to receive this benefit. Those no longer eligible for vacation benefits were paid their accrued balances during 2013. Employees may earn vacation time if employed and scheduled full-time which constitutes more than thirty (30) scheduled hours in a weekly time period, per schedule and job description. Vacation leave will be accrued by calculation of hours worked determined by the following years of employment:

Years of Employment	Factor
1-3 years	.01923
3-8 years	.03846
Over 8 years	.05769

Vacation time can carry over from year to year. The Agency accrued vacation benefits as of December 31, 2014 which amounted to $4,579.

NOTE 24 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC. - Continued

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Agency recognizes revenues when service is rendered or product is delivered. Program service revenue is recorded at established reimbursement rates at the time the services are provided, adjusted to net realizable amounts. Reimbursement rates established by Medicaid are subject to change. Audit and retroactive rate adjustments are recorded in the period the Agency is notified of the adjustments, as applicable.

Financial Instruments

Substantially all of the Agency's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instrument. Other financial instruments consist of long term obligations. The fair value of long-term obligations is estimated based on current interest rates offered to the Agency for obligations with similar remaining maturities. The recorded value of these financial instruments approximated fair value at December 31, 2014.

Concentration of Credit Risk

The Agency maintains cash balances in financial institutions where account balances may, although typically do not, exceed federally insured limits of up to $250,000. Management does not believe it is exposed to any significant credit risk on cash and cash equivalents. The Agency grants credit to its customers, who are located within the same geographic region, and credit is generally unsecured and requires no collateral.

Recent Accounting Pronouncements

In April 2014, the FASB issued Not-for-Profit Entities (Topic 958) Services Received from Personnel of an Affiliate (ASU 2014-06). The amendments in this update apply to not-for-profit entities that receive services from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does_ not charge the recipient not-for-profit entity. The amendments require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and should be measured at the cost recognized by the affiliate for personnel providing those services. The amendments in this Update are effective prospectively for fiscal years beginning after June 15, 2014 and early adoption is permitted. The Agency is in compliance with the amendments and the services from personnel of an affiliate that directly benefits the Agency and is recorded as in-kind contribution - Hocking County.

In May 2014, the FASB issued Revenue from Contracts with Customers (Topic 606) (ASU 2014- 09). The objective of the guidance in this topic is to establish the principles that an entity shall apply to report useful information to users of the financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle is that the entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For nonpublic entities, the amendment is effective for annual reporting periods beginning after December 15, 2017 and interim periods within annual periods beginning after December 15, 2018. Early adoption and retrospective application is permitted with limitations. The Agency has not adopted the pronouncement.

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 24 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC. - Continued

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 2014.

In-Kind Contributions

In-kind contributions represent the value of salaries, administrative services, and capital costs provided by 169 Board in the amount of $247,619 for the year ended December 31, 2014. The amounts were estimated based on unaudited information. 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 $157,892 for the year ended December 31, 2014. The Agency provided cleaning services to the 169 Board during 2014 in the amount of $19,338 of which the Accounts Receivable balance due from the 169 Board was $3,440 as of December 31, 2014. Expenses paid by the Agency to 169 Board amounted to $8,591 as of December 31, 2014.

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. The note was paid off in 2014.

NOTE F PRIVITIZATION

During 2013, the Hocking Valley Board of Developmental Disabilities (169 Board) and the Agency board of directors approved the Agency to begin the process of privatization. During 2014, the Agency directly hired an Executive Director and Facility Manager, Medicaid certification was obtained, and cleaning services and related transportation was billed to Medicaid. The 169 Board will continue to support the entity thru this transition until the process is complete. The timing has not been determined as to the completion of this transition to privatization.

Hocking County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2014

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements
United States Department of Housing and Urban Development			
Passed Through Ohio Department of Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-F-13-1BH-1	14.228	$82,000
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-F-12-1BH-1	14.228	9,800
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-C-12-1BH-1	14.228	57,880
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			149,680
HOME Investment Partnerships Program:			
HOME Investment Partnerships Program	B-C-12-IBH-2	14.239	346,400
Total HOME Investment Partnerships Program			346,400
Total United States Department of Housing and Urban Development			**496,080**
United States Department of Justice			
Passed Through Ohio Attorney General:			
Crime Victim Assistance/Discretionary Grants	VAGENE 220	16.582	32,025
Direct:			
Drug Court Discretionary Grant Program	2013-DC-BX-0008	16.585	96,776
Passed through Ohio Office of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	2012-JG-D01-6971	16.738	14,340
Edward Byrne Memorial Justice Assistance Grant Program	2013-JG-LLE-5868	16.738	7,971
			22,311
Total United States Department of Justice			**151,112**
United States Department of Transportation			
Passed Through the Ohio Emergency Management Agency:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	HM-HMP-0355-13-01-00	20.703	2,400
Total United States Department of Transportation			**2,400**
United States Department of Education			
Passed Through the Ohio Department of Health:			
Special Education-Grants for Infants and Families	N/A	84.181	50,242
Total United States Department of Education			**50,242**
United States Department of Homeland Security			
Passed Through Ohio Emergency Management Agency:			
Emergency Management Performance Grants	EMW-2013-EP-00060-S01	97.042	29,415
Emergency Management Performance Grants	EMW-2014-EP-00064	97.042	11,910
			41,325
Total United States Department of Homeland Security			**41,325**
United States Department of Health and Human Services			
Passed Through Ohio Department of Developmental Disabilities:			
Medical Assistance Program	N/A	93.778	129,700
Social Services Block Grant	N/A	93.667	21,996
Passed Through Area Agency on Aging:			
Special Programs for the Aging Title III, Part B-Grants for Supportive Services and Senior Centers	N/A	93.044	43,376
Total United States Department of Health and Human Services			**195,072**
United States Election Assistance System			
Passed Through Ohio Secretary of State:			
Help America Vote Act Requirements Payments	N/A	90.401	1,087
Total United States Election Assistance System			**1,087**
Total Federal Awards Expenditures			**$937,318**

N/A - pass-through entity number not available.

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, 2014, the total amount of loans outstanding was $754,171.

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 26, 2015. 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. 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 entity'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.

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

June 26, 2015

Report on Compliance For Each Major Federal Program and 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, 2014. 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, 2014.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

June 26, 2015

Section I – Summary of Auditor's Results

Financial Statements	
Type of financial statement opinion:	Unmodified
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?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
Identification of major program(s):	Community Development Block Grants (CFDA #14.228), HOME Investment Partnership Program (CFDA #14.239)
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?	No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

CFDA Title and Number	Community Development Block Grants, CFDA #14.228
Federal Award Number and Year	B-F-12-1BH-1, B-F-13-1BH-1
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Entity	Ohio Department of Development

Finding 2014-001

Noncompliance/Significant Deficiency – Cash Management

24 C.F.R. Section 85.21 subsection (c) indicates grantees and subgrantees shall be paid in advance provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. As provided in subsection (h)(2)(i), except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (23 U.S.C. 450), grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep interest amounts up to $100 per year for administrative expenses.

Finding 2014-001 (Continued)

Noncompliance/Significant Deficiency – Cash Management (Continued)

According to the State of Ohio Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(f), the grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that fund draw downs should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than $5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted.

During testing, we noted instances where the County did not disburse the balance of draw downs to a balance of less than $5,000 within fifteen days. The County should develop a cash management system to ensure compliance with the Fifteen Day Rule which relates to prompt disbursement of funds. We further recommend that documentation be maintained with each draw down request to support the amounts required.

Responsible Official's Response and Corrective Action Planned:
We are aware of the situation; it is a timing issue and we are working to rectify the problem.

Planned Implementation Date of Corrective Action:
Immediately

Person Responsible for Corrective Action:
Commissioners

Hocking County Financial Condition
Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)
For the Year Ended December 31, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
Finding 2013-1	Significant Deficiency – Internal Controls over Financial Reporting	No	Partially Corrected – Reissued in Management Letter
Finding 2013-2	Noncompliance/Significant Deficiency – Cash Management – Community Development Block Grants, CFDA #11.307	No	Reissued as Finding 2014-001

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
NOVEMBER 5, 2015