



Dave Yost • Auditor of State



COSHOCTON COUNTY

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**COSHOCTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITORS' REPORT

Coshocton County  
349 Main Street  
Coshocton, Ohio 43812

To the Board of County Commissioners:

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Coshocton County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Motor Vehicle License and Gasoline Tax, County Board of DD and Emergency Ambulance Levy Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3 to the basic financial statements, during the year ended December 31, 2012, the County adopted the provisions of *Governmental Accounting Standard No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

As discussed in Note 3, Net Position was restated at January 1, 2012 in the Governmental Activities, as a result of errors identified in reporting infrastructure under the threshold amount. Also, as discussed in Note 23, the Coshocton County Regional Airport Authority Fund, Net Position at January 1, 2012 was restated as a result of errors identified in the book balance and errors identified in the reporting of capital assets.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Federal Award Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2013, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 18, 2013

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## COSHOCTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

The management's discussion and analysis of Coshocton County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the County's financial performance.

#### **Financial Highlights**

Key financial highlights for 2012 are as follows:

- The total net position of the County increased \$1,498,690 which represents a 4.03% increase over the 2011 restated balance of \$37,163,040.
- General revenues accounted for \$14,214,108 or 39.21% of total governmental activities revenue. Program specific revenues accounted for \$22,035,350 or 60.79% of total governmental activities revenue.
- The County had \$34,750,768 in expenses related to governmental activities; \$22,035,350 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$14,214,108 were adequate to provide for these programs.
- The County has four major governmental funds. The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$10,675,894 in 2012. The general fund, had expenditures and other financing uses of \$9,253,275 in 2012. The general fund balance increased \$1,422,619 from the 2011 fund balance.
- The motor vehicle license and gasoline tax fund, a County major fund, had revenues of \$5,601,138 and expenditures of \$5,320,595 in 2012. The motor vehicle license and gasoline tax fund balance increased \$280,543 from 2011 to 2012.
- The county board of developmental disabilities (the "county board of DD") fund, a County major fund, had revenues of \$6,453,357 and expenditures of \$5,976,040 in 2012. The county board of DD fund balance increased \$477,317 from 2011 to 2012.
- The emergency ambulance levy fund, a County major fund, had revenues of \$3,150,521 and expenditures and other financing uses of \$3,090,405 in 2012. The emergency ambulance levy fund balance increased \$60,116 from 2011 to 2012.
- In the general fund, the actual revenues and other financing sources came in \$2,483,565 higher than they were originally budgeted and actual expenditures and other financing uses were \$365,563 more than the amount in the original budget. The County uses a conservative budgeting process.

#### **Using the Basic Financial Statements**

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

## COSHOCTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

The statement of net position and statement of activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column. In the case of the County, there are four major governmental funds: the general, motor vehicle license and gasoline tax, county board of DD, and emergency ambulance levy funds.

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

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

The statement of net position and the statement of activities answer the question, "How did we do financially during 2012?" These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the County's governmental activities include most of the County's programs and services including human services, health, public safety, public works and general government. These services are funded primarily by taxes and intergovernmental revenues including federal and State grants and other shared revenues.

#### **Reporting the County's Most Significant Funds**

##### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, motor vehicle license and gasoline tax fund, the County Board of developmental disabilities (DD) fund and emergency ambulance levy fund. The analysis of the County's major governmental funds begins on page 12.

## COSHOCTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

#### ***Governmental Funds***

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 22-31 of this report.

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

The County maintains proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a self-funded health insurance program for employees of the County and several governmental units within the County. Because this service predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 32-34 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 35 of this report.

#### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 36-78 of this report.

**COSHOCTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Government-Wide Financial Analysis**

The statement of net position provides the perspective of the County as a whole.

The table below provides a summary of the County's net position for 2012 and restated net position for 2011 as shown in Note 3.B:

	<u>Governmental Activities</u>	
	2012	Restated 2011
<b><u>Assets</u></b>		
Current and other assets	\$ 27,374,967	\$ 25,383,633
Capital assets, net	25,532,312	25,909,555
Total assets	52,907,279	51,293,188
<b><u>Deferred outflows of resources</u></b>		
Unamortized deferred charges on debt refunding	220,293	21,999
Total deferred outflows	220,293	21,999
<b><u>Liabilities</u></b>		
Long-term liabilities	5,295,115	5,428,263
Other liabilities	1,894,023	2,125,494
Total liabilities	7,189,138	7,553,757
<b><u>Deferred inflows of resources</u></b>		
Property taxes levied for the next fiscal year	7,276,704	6,598,390
Total deferred inflows	7,276,704	6,598,390
<b><u>Net Position</u></b>		
Net investment in capital assets	21,559,985	21,595,930
Restricted	11,339,993	10,656,126
Unrestricted	5,761,752	4,910,984
Total net position	\$ 38,661,730	\$ 37,163,040

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2012, the County's assets and deferred outflows exceeded liabilities and deferred inflows by \$38,661,730. The County's finances remained stable during 2012.

Capital assets reported on the government-wide statements represent the largest portion of the County's net position. At year-end, capital assets represented 48.26% of total assets. Capital assets include land, buildings and improvements, machinery and equipment, vehicles, infrastructure and software. Capital assets, net of related debt to acquire the assets at December 31, 2012, were \$21,559,985. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**COSHOCTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

A portion of the County's net position, \$11,339,993 or 29.33% of total net position, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position is \$5,761,752.

The table below shows the changes in net position for 2012 and 2011. The beginning balance has been restated to conform with GASB Statement No. 65 (as described in note 3.B).

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>(Restated) 2011</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 7,663,707	\$ 7,320,384
Operating grants and contributions	12,888,928	12,868,205
Capital grants and contributions	1,482,715	1,340,016
General revenues:		
Property taxes	6,675,979	6,511,958
Sales tax	4,866,807	4,910,827
Payment in lieu of taxes	4,284	4,707
Unrestricted grants	2,052,204	2,896,095
Investment earnings	76,458	132,836
Miscellaneous	538,376	329,666
Total revenues	<u>36,249,458</u>	<u>36,314,694</u>
<b><u>Expenses</u></b>		
General government	5,661,889	5,044,429
Public safety	5,182,219	5,182,800
Public works	6,441,173	8,121,858
Health	9,517,355	9,433,369
Human services	7,197,955	7,342,782
Conservation and recreation	144,606	146,128
Other	405,359	286,377
Interest and fiscal charges	114,179	160,628
Bond issuance costs	86,033	-
Total expenses	<u>34,750,768</u>	<u>35,718,371</u>
Change in net position	1,498,690	596,323
Net position at beginning of year (restated)	<u>37,163,040</u>	<u>36,566,717</u>
Net position at end of year	<u>\$ 38,661,730</u>	<u>\$ 37,163,040</u>

**Governmental Activities**

Governmental activities increased \$1,498,690 or 4.03% during 2012.

Governmental activities capital grants and contributions revenue increased 10.65% from \$1,340,016 in 2011 to \$1,482,715 in 2012.

## COSHOCTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

The State and federal government contributed to the County revenues of \$12,888,928 in the form of operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$5,122,128, or 39.74% subsidized public works. Operating grants and contributions increased 0.16% in 2012 due to an increase in funding for programs related to public works and health.

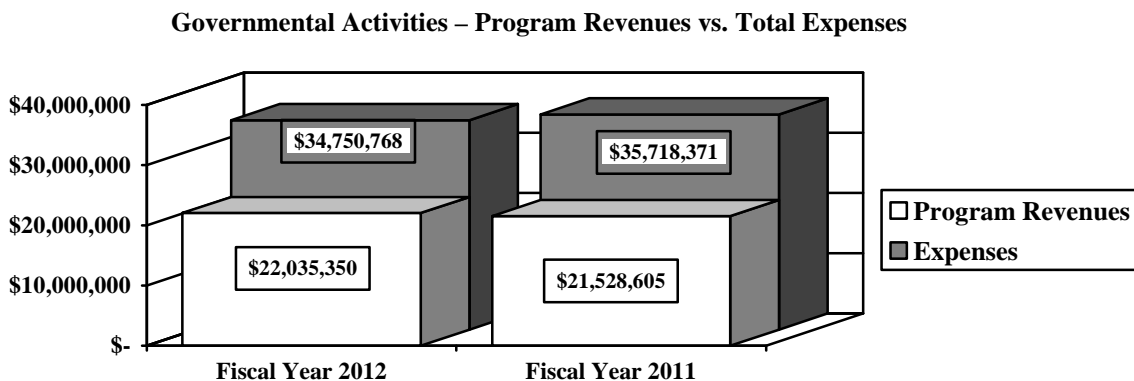
General revenues totaled \$14,214,108, and amounted to 39.21% of total revenues. These revenues primarily consist of property and sales tax revenue of \$11,542,786 or 31.84% of total general revenues in 2012. Property tax revenue increased \$164,021 from 2011 to 2012. The County sales tax revenue decreased \$44,020 from 2011 to 2012. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government revenue and property tax reimbursement received from the State making up \$2,052,204, or 5.66% of general revenues. During 2012, the County entered into an operating lease with Anadarko E&P Company and received \$1,279,575 for exclusive leasing rights to the land and for development, production in marketing of natural resources from this land. This caused the County's other revenues to increase significantly.

General government expenses include legislative and executive and judicial programs, totaled \$5,661,889 or 16.30% of total governmental expenses. General government expenses were covered by \$3,277,864 of direct charges to users in 2012.

Public works expenses primarily relate to road and bridge construction and repair projects undertaken by the County. The decrease in this expense versus the prior year relates primarily to the decrease in projects related to construction in progress. The County performed more road and bridge projects in 2011 versus the current year.

Human services expenses support the operations of public assistance and the children services board, and accounts for \$7,197,955 of expenses, or 20.71% of total governmental expenses of the County. These expenses were funded by \$598,679 in charges to users of services and \$4,569,957 in operating grants and contributions in 2012.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The graph below shows the County's total expenses and the portion of those expenses which are offset by specific program revenues:



**COSHOCTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

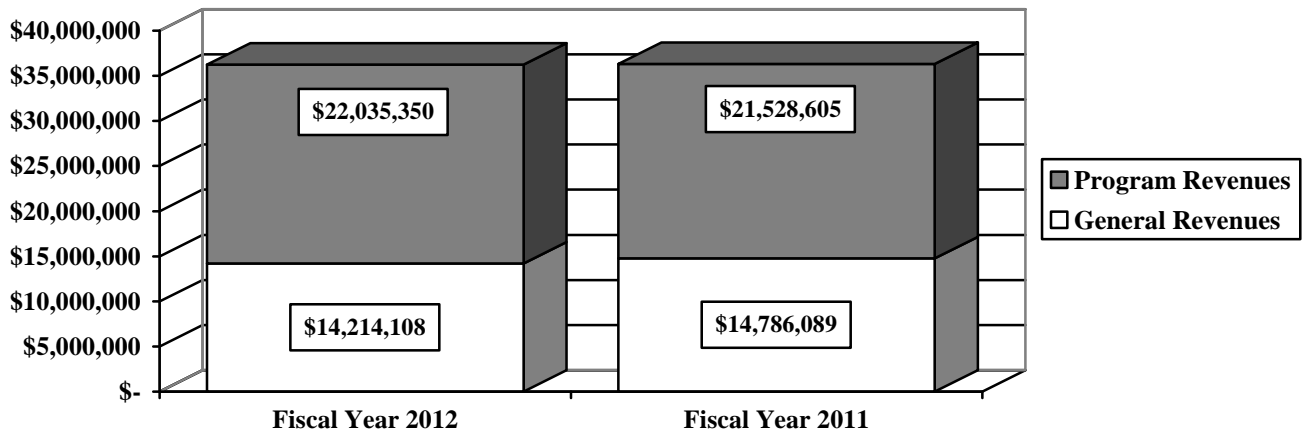
The following table shows, for governmental activities, the total cost of services and the net cost of services for 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
<b>Expenses:</b>				
General government	\$ 5,661,889	\$ 2,051,099	\$ 5,044,429	\$ 2,770,335
Public safety	5,182,219	3,204,432	5,182,800	3,216,690
Public works	6,441,173	(360,117)	8,121,858	1,115,375
Health	9,517,355	5,101,399	9,433,369	4,645,446
Human services	7,197,955	2,029,319	7,342,782	1,912,048
Conservation and recreation	144,606	135,588	146,128	136,807
Other	405,359	405,359	286,377	286,377
Interest and fiscal charges	114,179	62,306	160,628	106,688
Bond issuance costs	<u>86,033</u>	<u>86,033</u>	<u>-</u>	<u>-</u>
<b>Total expenses</b>	<b><u>\$ 34,750,768</u></b>	<b><u>\$ 12,715,418</u></b>	<b><u>\$ 35,718,371</u></b>	<b><u>\$ 14,189,766</u></b>

The dependence upon general revenues for governmental activities is apparent, with 36.59% and 39.73% of expenses supported through taxes and other general revenues during 2012 and 2011, respectively. The graph below shows the total general revenues and program revenues of the County for 2012 and 2011.

**Governmental Activities - General and Program Revenues**



**COSHOCTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**Financial Analysis of the County's Funds**

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

***Governmental Funds***

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

The County's governmental funds reported a combined fund balance of \$14,840,047, which is higher than last year's balance of \$12,692,681. The County's governmental funds are presented on the balance sheet on pages 22-23. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2012 for all major and nonmajor governmental funds.

	<u>Fund Balance</u> <u>December 31, 2012</u>	<u>Fund Balance</u> <u>December 31, 2011</u>	<u>Increase/</u> <u>(Decrease)</u>
<b>Major Funds:</b>			
General	\$ 3,563,627	\$ 2,141,008	\$ 1,422,619
Motor vehicle license and gasoline tax	1,492,627	1,212,084	280,543
County board of DD	5,081,748	4,604,431	477,317
Emergency ambulance levy	1,679,893	1,619,777	60,116
Other nonmajor governmental funds	<u>3,022,152</u>	<u>3,115,381</u>	<u>(93,229)</u>
Total	<u>\$ 14,840,047</u>	<u>\$ 12,692,681</u>	<u>\$ 2,147,366</u>

***General Fund***

The general fund is the operating fund of the County. At the end of the year, the fund balance of the general fund was \$3,563,627, a 66.45% increase from 2011. The increase of the general fund balance in 2012 was primarily due to the signing of the operating lease with Anadarko E&P Company and the related \$1,279,575 lease of land.



**COSHOCTON COUNTY, OHIO**

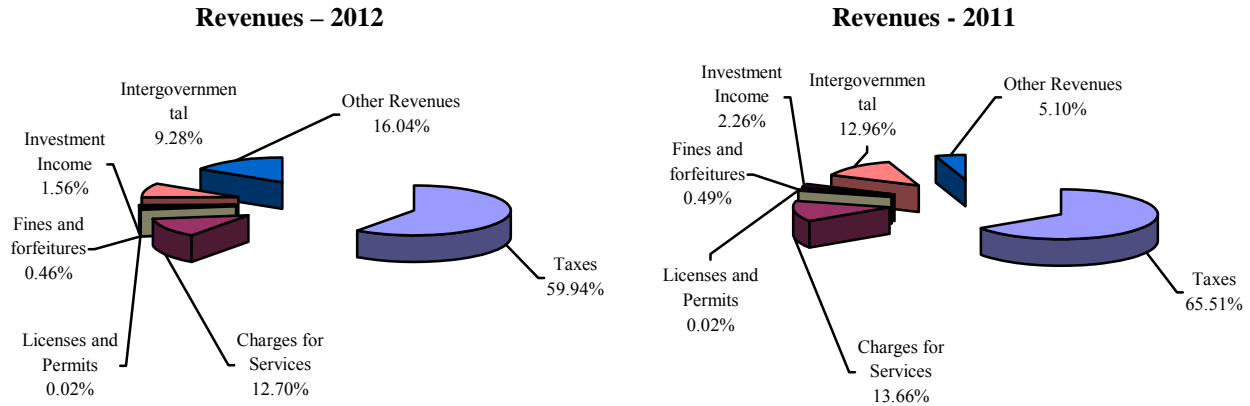
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

<u>Revenues</u>	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
Taxes	\$ 6,227,160	\$ 5,930,031	\$ 297,129	5.01 %
Charges for services	1,319,315	1,236,587	82,728	6.69 %
Licenses and permits	1,787	2,215	(428)	(19.32) %
Fines and forfeitures	47,742	44,388	3,354	7.56 %
Intergovernmental	964,483	1,173,012	(208,529)	(17.78) %
Investment income	162,368	204,158	(41,790)	(20.47) %
Other	<u>1,665,839</u>	<u>461,795</u>	<u>1,204,044</u>	260.73 %
<b>Total</b>	<b><u>\$ 10,388,694</u></b>	<b><u>\$ 9,052,186</u></b>	<b><u>\$ 1,336,508</u></b>	<b>14.76 %</b>

Tax revenue represents 59.94% of all general fund revenue. Tax revenue increased by 5.01% over prior year. The decrease in investment income is due to the slight decrease in interest rates throughout the year. The decrease in intergovernmental revenues is due to less funding from State and federal sources. The increase in other revenues was due to the signing of the operating lease with Anadarko E&P Company and the related \$1,279,575 lease of land. All other revenue remained comparable to 2011.

The graphs below show the breakdown of revenues, by source, for 2012 and 2011.



**COSHOCTON COUNTY, OHIO**

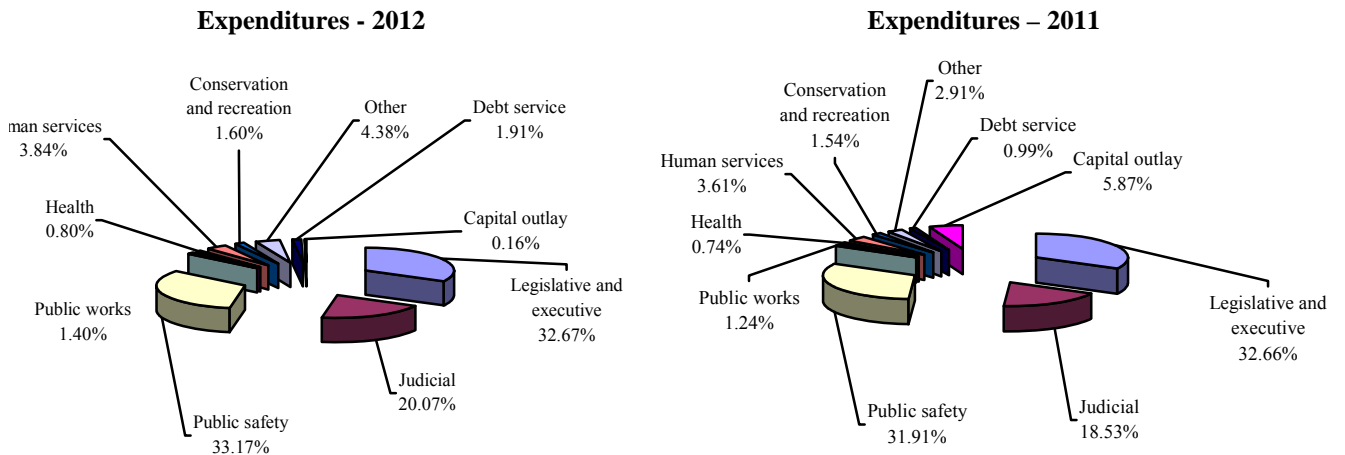
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>				
General government				
Legislative and executive	\$ 2,937,170	\$ 3,075,440	\$ (138,270)	(4.50) %
Judicial	1,804,341	1,745,220	59,121	3.39 %
Public safety	2,982,247	3,003,924	(21,677)	(0.72) %
Public works	126,062	117,079	8,983	7.67 %
Health	71,776	69,500	2,276	3.27 %
Human services	345,299	340,327	4,972	1.46 %
Conservation and recreation	143,478	145,000	(1,522)	(1.05) %
Other	393,725	273,747	119,978	43.83 %
Capital outlay	14,726	553,014	(538,288)	(97.34) %
Debt service	171,797	92,919	78,878	84.89 %
<b>Total</b>	<b><u>\$ 8,990,621</u></b>	<b><u>\$ 9,416,170</u></b>	<b><u>\$ (425,549)</u></b>	<b><u>(4.52) %</u></b>

Expenditures related to legislative and executive decreased due to a decrease in commissioner expenses. Public safety expenditures decreased due to a decrease in 2012 probate costs. Capital outlay decreased in 2012, because during 2011 the County entered into a lease purchase agreement and during 2012 did not enter into any similar agreements. Debt service expenses increased due to an increase in payments made towards debt.

The graphs below show the breakdown of expenditures, by function, for 2012 and 2011.



**COSHOCTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

***Motor Vehicle License and Gasoline Tax Fund***

The motor vehicle license and gasoline tax fund, a County major fund, had revenues of \$5,601,138 and expenditures of \$5,320,595 in 2012. The motor vehicle license and gasoline tax fund balance increased \$280,543 from 2011 to 2012.

***County Board of Developmental Disabilities (County Board of DD)***

The county board of DD, a County major fund, had revenues of \$6,453,357 and expenditures of \$5,976,040 in 2012. The county board of DD fund balance increased \$477,317 from 2011 to 2012.

***Emergency Ambulance Levy Fund***

The emergency ambulance levy fund, a County major fund, had revenues of \$3,150,521 and expenditures and other financing uses of \$3,090,405 in 2012. The emergency ambulance levy fund balance increased \$60,116 from 2011 to 2012.

***Budgeting Highlights - General Fund***

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly. In the general fund, there were significant changes between the original and final budget. Final budgeted revenues and other financing sources were increased \$2,695,081 from the original budgeted revenues and other financing sources. Actual revenues and other financing sources of \$10,471,457 were \$211,516 less than final budgeted revenues and other financing sources. Actual expenditures and other financing uses were \$479,777 less than the final budgeted expenditures.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2012, the County had \$25,532,312 (net of accumulated depreciation) invested in land, buildings and improvements, machinery and equipment, vehicles, infrastructure and software.

The following table shows 2012 balances compared to the 2011 restated balances (see Note 14.A for detail):

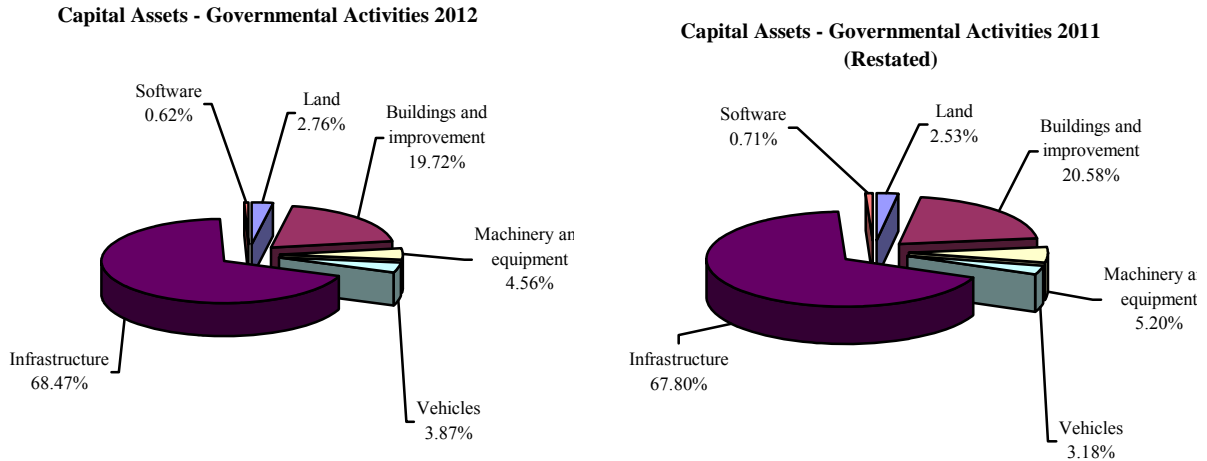
	<b>Capital Assets at December 31 (Net of Depreciation)</b>	
	Governmental	Restated Governmental
	<u>Activities</u>	<u>Activities</u>
	<u>2012</u>	<u>2011</u>
Land	\$ 703,858	\$ 656,781
Building and improvements	5,034,527	5,332,316
Machinery and equipment	1,164,982	1,346,519
Vehicles	988,415	823,517
Infrastructure	17,480,990	17,566,472
Software	<u>159,540</u>	<u>183,950</u>
Total	<u>\$ 25,532,312</u>	<u>\$ 25,909,555</u>

See Note 14 to the basic financial statements for detail on governmental activities capital assets.

**COSHOCTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

The following graphs show the breakdown of governmental capital assets by category for 2012 and 2011.



The County's largest governmental capital asset category is infrastructure which includes roads, bridges, culverts and waterworks. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately, 68.47% of the County's total governmental capital assets.

***Debt Administration***

At December 31, 2012, governmental activities had \$3,050,000 in general obligation bonds, OWDA loans of \$219,642, OPWC loans of \$321,141, notes payable of \$155,000, capital leases of \$52,070 and lease purchase agreements of \$391,765 outstanding. Of this total, \$432,412 is due within one year and \$3,757,206 is due in greater than one year. The following table summarizes the debt obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2012	Governmental Activities 2011
Long-Term Obligations		
General obligation bonds	\$ 3,050,000	\$ 3,020,000
OWDA loan	219,642	226,408
OPWC loans	321,141	301,011
Note payable	155,000	190,000
Capital leases	52,070	85,494
Lease purchase agreements	391,765	487,940
<b>Total</b>	<b>\$ 4,189,618</b>	<b>\$ 4,310,853</b>

See Note 15 to the basic financial statements for detail on governmental activities outstanding debt.

## COSHOCTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

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

Coshocton County's estimated 2012 population is 36,779, down 0.3% from 2010 according to the U.S. Census Bureau. The U.S. Bureau of Labor Statistics reports County's unemployment rate ended 2012 at 9.2%, compared to the state average 6.6% and the national average of 8.1%.

Coshocton County again saw severe state level funding cuts in 2012, which have been incrementally occurring for the past several years. As the County enters into 2013, the General Fund faces state funding decreases of 63.8% since 2007. Both the Board of Commissioners and the Auditor continue to estimate revenues conservatively and budget expenses accordingly to preserve the health of the General Fund balance. Because of this planning, as well as contractual sales of some of the county's timber and minerals, Coshocton County currently has a strong General Fund balance. Coshocton County officials continue to work together using conservative budgeting practices in order to strengthen the County's financial position in future years.

The year 2012 also saw a continuance of the strong upward trend in county sales tax revenue, ending the year at 7.08% over 2011 collections. This indicator of a recovering local economy and the promise of future oil and gas industry activity bodes extremely well for Coshocton County finances in 2013.

In addition to the financial side of the government, the Board of County Commissioners work closely with the Coshocton Port Authority to not only build existing businesses, but also to draw new business and industry into the county. The Coshocton Port Authority reports the following major economic development projects in the calendar year 2012:

- With the oil and gas industry on our doorstep, the Coshocton Port Authority developed a process for the community to conduct its own assessment, express its preferences and vision, and take action and make decisions so as to affect the course of shale oil and gas development through hydraulic fracturing in our county, city, villages and rural areas. This initiative was organized around impacts, consequences, costs and benefits in the areas of government and politics, economy, education, jobs and skills, environment, culture, technology, life style, health, economic and philanthropic capital. The process that took place in November, involved both leaders and citizens from all walks of life and work.

The oil and gas industry will have an impact on every sector of the community – including landowners, tourism, agriculture, government, education/training, local business, housing, infrastructure and amenities. The development of this new industry brings both opportunities and challenges. Coshocton's most important issues will be the demand for human resources, adequate housing, and industrial property. Certainly the overall protection our natural resources and environment is of prime concern. The community is proactively joining together to take advantage of the opportunities while addressing the challenges and planning for long term sustainability.

It is predicted that Utica and Marcellus shale gas drilling will add 65,680 jobs and \$4.9 billion in value to the Ohio economy by 2014, according to a study by the Ohio Shale Coalition. The study shows that nearly 17% of the jobs created will be with oil and gas field service companies. Moreover, the drilling and hydro-fracturing should create a demand for more truck drivers, construction workers, mechanics, real estate agents, insurance agents, employment placement workers, architects, engineers, lawyers, environmental consultants, nurses, physicians, food service, emergency health care workers and retail employees, among other new jobs. It will be an economic boom for Coshocton County and its leaders are preparing to take advantage of the opportunities and plan for the challenges. Advances in the local oil and gas industry during 2012 included:

- Buckeye Brine built the county's first deep well injection site, creating jobs as well as revenue. ATEX Pipeline leased the Coshocton Port Authority property to store materials/pipe for their major pipeline project that will commence in 2013.

## COSHOCTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

- An America's Natural Gas Alliance \$ 6,000 grant was received to educate local instructors and so qualify them to conduct SafeLand training to students and adults wishing to work in the oil and gas industry.
- The Small Business Development Center, Chamber of Commerce and Coshocton Port Authority worked with over 100 individuals seeking help to start, expand, and retain their small business. Over 40 different types of business ideas were presented.
- Nine county buildings received energy-saving upgrades because of an Ohio Department of Development's Energy Efficiency Block Grant. The funding for the grant came from the American Recovery and Reinvestment Act. The Coshocton Port Authority applied for the grant and the county was awarded nearly \$480,000 toward a \$627,000 project. The project included upgrades to lighting systems, installation of vending machine misers, night setback controllers, a new central HVAC system in the Courthouse Annex, and a modification to the HVAC system in the Title Building. Reporting for this project was completed in March of 2012.
- Five Coshocton County EPA initiatives were underway in 2012 with two being completed in October of 2012 utilizing more than \$2.8 million in grants and state loans.
  - A Community-Wide Hazardous Substance Assessment was completed using a \$200,000 grant.
  - A Community-Wide Petroleum Substance Assessment was completed using a \$200,000 grant.
  - Two Clean Ohio Assistance Fund grant projects under the Ohio's Voluntary Action Program were initiated for the Steel Ceilings Property (\$288,364) and the SABIC/GE Property (\$231,753).
  - A \$700,000 grant was awarded that will be used along with a \$1.2 million OWDA loan and matching funds to environmentally assess, cleanup, and improve the former Steel Ceilings, Inc. site located on Third Street in the City of Coshocton. A minimum of 214 jobs are expected to be retained from this project.
- The Port Authority issued two Community Development Fund grants – one to a small business to increase production and staff, and one to support the Small Business Development Center.
- The Port Authority, along with JobsOhio, began working with McWane Inc. on a project to purchase the vacant Lancaster Colony property and expand their utility pole line of products. This will not only add jobs to Coshocton but represents a strong investment in our County.
- The Port Authority and OMEGA created a partnership to help promoted USDA Revolving Loans for our community. The RLF guidelines were modified to help small businesses with loans up to \$7,500 without bank financing to provide Gap Financing to local businesses.
- Discussions continue to reopen the Coshocton Ethanol Plant.
- The Our Town Coshocton initiative is making progress on becoming a 501(C) 3 organization and will be working to revitalize historic and traditional commercial areas.

#### **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 the Honorable Christine R. Sycks, Coshocton County Auditor, at 349 Main Street – Room 101, Coshocton, Ohio 43812.

COSHOCTON COUNTY, OHIO

STATEMENT OF NET POSITION  
DECEMBER 31, 2012

	Primary	Component Units	
	Government	Regional	Hopewell
	Governmental	Airport	Industries, Inc.
	Activities	Authority	
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 13,047,467	\$ 175,925	\$ 195,403
Cash with fiscal agent . . . . .	1,257,035	-	-
Receivables:			
Sales taxes . . . . .	1,308,655	-	-
Real and other taxes . . . . .	7,729,180	-	-
Accounts . . . . .	377,419	-	14,336
Other current assets . . . . .	-	-	1,042
Accrued interest . . . . .	13,381	-	-
Due from other governments . . . . .	3,127,099	-	18,042
Prepayments . . . . .	73,388	-	558
Materials and supplies inventory . . . . .	441,343	42,751	-
Capital assets:			
Land . . . . .	703,858	189,296	-
Depreciable capital assets, net . . . . .	24,828,454	4,295,295	125,972
Total capital assets, net . . . . .	25,532,312	4,484,591	125,972
Total assets . . . . .	52,907,279	4,703,267	355,353
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refundings . . . . .	220,293	-	-
Total deferred outflows of resources . . . . .	220,293	-	-
Total assets and deferred outflows of resources . . . . .	53,127,572	4,703,267	355,353
<b>Liabilities:</b>			
Accounts payable . . . . .	341,289	4,803	3,796
Contracts payable . . . . .	-	111,251	-
Accrued wages and benefits payable . . . . .	588,581	-	-
Due to other governments . . . . .	488,392	-	16,157
Unearned revenue . . . . .	-	-	37,338
Accrued interest payable . . . . .	14,211	-	-
Claims payable . . . . .	461,550	-	-
Long-term liabilities:			
Due within one year . . . . .	1,153,074	-	14,864
Due in more than one year . . . . .	4,142,041	-	86,716
Total liabilities . . . . .	7,189,138	116,054	158,871
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	7,276,704	-	-
Total deferred inflows of resources . . . . .	7,276,704	-	-
Total liabilities and deferred inflows of resources . . . . .	14,465,842	116,054	158,871
<b>Net position:</b>			
Net investment in capital assets . . . . .	21,559,985	4,484,591	24,392
Restricted for:			
Capital projects . . . . .	237,512	-	-
Debt service . . . . .	73,516	-	-
Public works projects . . . . .	3,510,818	-	-
Human services programs . . . . .	572,789	-	-
Health programs . . . . .	5,517,715	-	-
General government operations . . . . .	880,604	-	-
Public safety programs . . . . .	504,862	-	-
Other purposes . . . . .	42,177	-	-
Unrestricted . . . . .	5,761,752	102,622	172,090
Total net position . . . . .	\$ 38,661,730	\$ 4,587,213	\$ 196,482

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government:				
Legislative and executive. . . . .	\$ 3,748,129	\$ 3,277,864	\$ 2,400	\$ -
Judicial. . . . .	1,913,760	330,094	432	-
Public safety . . . . .	5,182,219	1,534,870	442,917	-
Public works . . . . .	6,441,173	196,447	5,122,128	1,482,715
Health. . . . .	9,517,355	1,664,862	2,751,094	-
Human services . . . . .	7,197,955	598,679	4,569,957	-
Conservation and recreation . . . . .	144,606	9,018	-	-
Other . . . . .	405,359	-	-	-
Interest and fiscal charges. . . . .	114,179	51,873	-	-
Bond issuance costs. . . . .	86,033	-	-	-
Total primary government . . . . .	<u>\$ 34,750,768</u>	<u>\$ 7,663,707</u>	<u>\$ 12,888,928</u>	<u>\$ 1,482,715</u>
<b>Component units:</b>				
Regional Airport Authority. . . . .	904,330	453,653	2,594	336,449
Hopewell Industries, Inc. . . . .	428,219	260,283	161,490	-
Total component units . . . . .	<u>\$ 1,332,549</u>	<u>\$ 713,936</u>	<u>\$ 164,084</u>	<u>\$ 336,449</u>

**General revenues:**

- Property taxes levied for:
  - General purposes . . . . .
  - Health. . . . .
  - Human services . . . . .
  - Public safety. . . . .
  - Debt service . . . . .
- Sales taxes levied for:
  - General purposes. . . . .
  - Payment in lieu of taxes . . . . .
  - Grants and entitlements not restricted to specific programs . . . . .
  - Unrestricted investment earnings . . . . .
  - Miscellaneous . . . . .

Total general revenues. . . . .

Change in net position . . . . .

**Net position at beginning of year (restated). . . . .**

**Net position at end of year. . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Component Units</b>	
	<b>Regional Airport Authority</b>	<b>Hopewell Industries, Inc.</b>
\$ (467,865)	\$ -	\$ -
(1,583,234)	-	-
(3,204,432)	-	-
360,117	-	-
(5,101,399)	-	-
(2,029,319)	-	-
(135,588)	-	-
(405,359)	-	-
(62,306)	-	-
(86,033)	-	-
<u>(12,715,418)</u>	<u>-</u>	<u>-</u>
-	(111,634)	-
-	-	(6,446)
-	<u>(111,634)</u>	<u>(6,446)</u>
1,470,584	-	-
4,032,458	-	-
877,342	-	-
100,494	-	-
195,101	-	-
4,866,807	-	-
4,284	-	-
2,052,204	-	-
76,458	-	14,294
538,376	60,688	135
<u>14,214,108</u>	<u>60,688</u>	<u>14,429</u>
1,498,690	(50,946)	7,983
<u>37,163,040</u>	<u>4,638,159</u>	<u>188,499</u>
<u>\$ 38,661,730</u>	<u>\$ 4,587,213</u>	<u>\$ 196,482</u>

**COSHOCTON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	<u>General</u>	<u>Motor Vehicle License and Gasoline Tax</u>	<u>County Board of DD</u>	<u>Emergency Ambulance Levy</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 2,869,999	\$ 967,246	\$ 4,023,936	\$ 1,654,549
Cash with fiscal agent . . . . .	-	-	1,257,035	-
Receivables:				
Sales taxes . . . . .	1,308,655	-	-	-
Real and other taxes . . . . .	1,634,114	-	2,797,709	2,037,723
Accounts . . . . .	85,951	-	-	209,248
Accrued interest . . . . .	13,381	-	-	-
Due from other governments . . . . .	341,440	2,170,406	156,468	110,539
Interfund loans . . . . .	466,747	-	-	-
Due from other funds . . . . .	22,316	-	-	-
Prepayments . . . . .	73,388	-	-	-
Materials and supplies inventory . . . . .	60,171	321,497	2,388	44,308
Total assets . . . . .	<u>\$ 6,876,162</u>	<u>\$ 3,459,149</u>	<u>\$ 8,237,536</u>	<u>\$ 4,056,367</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 88,138	\$ 44,157	\$ 22,156	\$ 14,186
Accrued wages and benefits payable . . . . .	196,524	46,732	85,416	72,699
Compensated absences payable . . . . .	12,540	3,406	406	-
Due to other governments . . . . .	149,903	37,784	92,948	69,538
Interfund loans payable . . . . .	-	-	-	-
Due to other funds . . . . .	2,263	-	3,940	-
Total liabilities . . . . .	<u>449,368</u>	<u>132,079</u>	<u>204,866</u>	<u>156,423</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . .	1,548,000	-	2,615,600	1,930,600
Delinquent property tax revenue not available . .	85,341	-	182,109	107,123
Sales tax revenue not available . . . . .	929,987	-	-	-
Miscellaneous revenue not available . . . . .	-	-	-	72,669
Other nonexchange transactions not available . .	286,712	1,834,443	153,213	109,659
Total deferred inflows of resources . . . . .	<u>2,863,167</u>	<u>1,834,443</u>	<u>2,950,922</u>	<u>2,220,051</u>
Total liabilities and deferred inflows of resources.	<u>3,312,535</u>	<u>1,966,522</u>	<u>3,155,788</u>	<u>2,376,474</u>
<b>Fund balances:</b>				
Nonspendable . . . . .	164,457	321,497	2,388	44,308
Restricted . . . . .	-	1,171,130	5,079,360	-
Committed . . . . .	-	-	-	1,635,585
Assigned . . . . .	1,790,966	-	-	-
Unassigned (deficit) . . . . .	1,608,204	-	-	-
Total fund balances . . . . .	<u>3,563,627</u>	<u>1,492,627</u>	<u>5,081,748</u>	<u>1,679,893</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 6,876,162</u>	<u>\$ 3,459,149</u>	<u>\$ 8,237,536</u>	<u>\$ 4,056,367</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 3,355,986	\$ 12,871,716
-	1,257,035
-	1,308,655
1,259,634	7,729,180
69,144	364,343
-	13,381
348,246	3,127,099
-	466,747
36,475	58,791
-	73,388
12,979	441,343
<u>\$ 5,082,464</u>	<u>\$ 27,711,678</u>
\$ 160,901	\$ 329,538
186,139	587,510
-	16,352
137,454	487,627
16,747	16,747
52,588	58,791
<u>553,829</u>	<u>1,496,565</u>
1,182,504	7,276,704
77,130	451,703
-	929,987
-	72,669
246,849	2,630,876
<u>1,506,483</u>	<u>11,375,066</u>
<u>2,060,312</u>	<u>12,871,631</u>
12,979	545,629
2,681,992	8,932,482
347,578	1,983,163
-	1,790,966
(20,397)	1,587,807
<u>3,022,152</u>	<u>14,840,047</u>
<u>\$ 5,082,464</u>	<u>\$ 27,711,678</u>

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**COSHOCTON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2012

<b>Total governmental fund balances</b>		\$	14,840,047
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			25,532,312
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	451,703	
Sales taxes receivable		929,987	
Intergovernmental revenues receivable		2,630,876	
Charges for services receivable		72,669	
Accrued interest receivable		13,127	
Total		4,098,362	4,098,362
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			(736,310)
On the statement of net position interest is accrued on outstanding bonds, whereas in the governmental funds, interest is accrued when due.			(14,211)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			220,293
Unamortized premiums on bond issuances are not recognized in the governmental funds.			(8,103)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(3,050,000)	
OPWC loans		(321,141)	
OWDA loan		(219,642)	
Compensated absences		(1,081,042)	
Capital lease payable		(52,070)	
Lease purchase payable		(391,765)	
Notes payable		(155,000)	
Total		(5,270,660)	(5,270,660)
<b>Net position of governmental activities</b>		\$	38,661,730

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General</u>	<u>Motor Vehicle License and Gasoline Tax</u>	<u>County Board of DD</u>	<u>Emergency Ambulance Levy</u>
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,484,457	\$ -	\$ 2,787,965	\$ 1,260,205
Sales taxes . . . . .	4,742,703	-	-	-
Payment in lieu of taxes . . . . .	1,656	-	1,526	685
Charges for services. . . . .	1,319,315	-	190,899	1,685,013
Licenses and permits . . . . .	1,787	-	-	-
Fines and forfeitures . . . . .	47,742	29,563	-	-
Intergovernmental. . . . .	964,483	5,468,878	3,364,925	162,668
Investment income. . . . .	162,368	1,854	1,878	-
Rental income . . . . .	1,397,874	-	-	-
Contributions and donations. . . . .	5,106	-	10,076	-
Other . . . . .	261,203	100,843	96,088	41,950
Total revenues . . . . .	<u>10,388,694</u>	<u>5,601,138</u>	<u>6,453,357</u>	<u>3,150,521</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	2,937,170	-	-	-
Judicial. . . . .	1,804,341	-	-	-
Public safety . . . . .	2,982,247	-	-	-
Public works . . . . .	126,062	5,125,622	-	-
Health . . . . .	71,776	-	5,976,040	3,045,405
Human services. . . . .	345,299	-	-	-
Conservation and recreation . . . . .	143,478	-	-	-
Other . . . . .	393,725	-	-	-
Capital outlay . . . . .	14,726	86,006	-	-
Debt service:				
Principal retirement. . . . .	144,325	93,692	-	-
Interest and fiscal charges . . . . .	27,472	15,275	-	-
Bond issuance costs . . . . .	-	-	-	-
Total expenditures . . . . .	<u>8,990,621</u>	<u>5,320,595</u>	<u>5,976,040</u>	<u>3,045,405</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>1,398,073</u>	<u>280,543</u>	<u>477,317</u>	<u>105,116</u>
<b>Other financing sources (uses):</b>				
Bond issuance. . . . .	-	-	-	-
Note issuance . . . . .	-	-	-	-
Sale of capital assets. . . . .	251,485	-	-	-
Payment to refunded bond escrow agent . . . . .	-	-	-	-
Capital lease transaction. . . . .	14,726	-	-	-
Transfers in . . . . .	-	-	-	-
Transfers (out). . . . .	(262,654)	-	-	(45,000)
Insurance proceeds . . . . .	20,989	-	-	-
Total other financing sources (uses) . . . . .	<u>24,546</u>	<u>-</u>	<u>-</u>	<u>(45,000)</u>
Net change in fund balances . . . . .	1,422,619	280,543	477,317	60,116
<b>Fund balances at beginning of year . . . . .</b>	<u>2,141,008</u>	<u>1,212,084</u>	<u>4,604,431</u>	<u>1,619,777</u>
<b>Fund balances at end of year . . . . .</b>	<u><u>\$ 3,563,627</u></u>	<u><u>\$ 1,492,627</u></u>	<u><u>\$ 5,081,748</u></u>	<u><u>\$ 1,679,893</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,192,014	\$ 6,724,641
-	4,742,703
673	4,540
3,115,078	6,310,305
111,407	113,194
50,998	128,303
5,989,945	15,950,899
422	166,522
-	1,397,874
-	15,182
315,304	815,388
<u>10,775,841</u>	<u>36,369,551</u>

732,768	3,669,938
46,309	1,850,650
2,157,254	5,139,501
890,109	6,141,793
347,056	9,440,277
6,697,383	7,042,682
-	143,478
-	393,725
51,424	152,156
258,081	496,098
61,477	104,224
86,033	86,033
<u>11,327,894</u>	<u>34,660,555</u>

<u>(552,053)</u>	<u>1,708,996</u>
------------------	------------------

2,400,000	2,400,000
65,137	65,137
-	251,485
(2,313,967)	(2,313,967)
-	14,726
326,654	326,654
(19,000)	(326,654)
-	20,989
<u>458,824</u>	<u>438,370</u>

(93,229)	2,147,366
----------	-----------

<u>3,115,381</u>	<u>12,692,681</u>
<u>\$ 3,022,152</u>	<u>\$ 14,840,047</u>

**COSHOCTON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

<b>Net change in fund balances - total governmental funds</b>	\$	2,147,366
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense exceeded capital outlays in the current period accordingly.		
Capital asset additions	\$ 1,769,576	
Current year depreciation	<u>(2,086,010)</u>	
Total		(316,434)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(60,809)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(48,662)	
Sales taxes	124,104	
Intergovernmental	240,494	
Charges for services	(622,593)	
Investment income	<u>(85,910)</u>	
Total		(392,567)
Deferred charges on refundings are amortized over the life of the issuance in the statement of activities.		208,967
Repayment of bond, lease and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		2,601,098
Proceeds of loans, leases and bonds are recognized as other financing sources in the governmental funds, however, in the statement of activities they are not reported as revenues as they increase liabilities on the statement of net assets.		(2,479,863)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Increase in accrued interest payable	(454)	
Amortization of bond premiums	1,172	
Amortization of deferred charges on refundings	<u>(10,673)</u>	
Total		(9,955)
Some expenses reported in the statement of activities such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		36,245
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		<u>(235,358)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>1,498,690</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**COSHOCTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,111,973	\$ 1,487,148	\$ 1,486,037	\$ (1,111)
Sales taxes . . . . .	3,556,834	4,756,894	4,756,894	-
Payment in lieu of taxes . . . . .	1,159	1,550	1,656	106
Charges for services. . . . .	802,123	1,072,756	1,032,310	(40,446)
Licenses and permits . . . . .	1,701	2,275	1,787	(488)
Fines and forfeitures. . . . .	41,125	55,001	48,056	(6,945)
Intergovernmental . . . . .	746,930	998,941	998,977	36
Investment income. . . . .	108,114	144,591	144,468	(123)
Rental income . . . . .	1,038,292	1,388,607	1,391,589	2,982
Contributions and donations . . . . .	3,796	5,077	5,106	29
Other. . . . .	305,513	408,592	272,000	(136,592)
<b>Total revenues . . . . .</b>	<b>7,717,560</b>	<b>10,321,432</b>	<b>10,138,880</b>	<b>(182,552)</b>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	2,962,218	3,117,430	2,828,229	289,201
Judicial. . . . .	1,954,209	1,980,760	1,888,320	92,440
Public safety . . . . .	3,027,085	3,125,643	3,085,241	40,402
Public works . . . . .	135,630	161,117	160,708	409
Health . . . . .	69,670	69,670	69,647	23
Human services. . . . .	393,586	399,739	382,024	17,715
Conservation and recreation . . . . .	146,500	146,500	143,500	3,000
Other . . . . .	407,004	406,640	370,053	36,587
Debt service:				
Principal retirement. . . . .	144,325	144,325	144,325	-
Interest and fiscal charges . . . . .	27,472	27,472	27,472	-
<b>Total expenditures . . . . .</b>	<b>9,267,699</b>	<b>9,579,296</b>	<b>9,099,519</b>	<b>479,777</b>
Excess (deficiency) of revenues over (under) expenditures. . . . .	(1,550,139)	742,136	1,039,361	297,225
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	187,900	251,296	251,485	189
Advances in . . . . .	13,683	18,300	22,300	4,000
Advances (out) . . . . .	-	(469,618)	(469,618)	-
Transfers (out). . . . .	(251,258)	(315,354)	(315,354)	-
Insurance proceeds . . . . .	15,694	20,989	20,989	-
Other financing sources . . . . .	53,055	70,956	37,803	(33,153)
Other financing uses. . . . .	(2,100)	(2,129)	(2,129)	-
<b>Total other financing sources (uses) . . . . .</b>	<b>16,974</b>	<b>(425,560)</b>	<b>(454,524)</b>	<b>(28,964)</b>
Net change in fund balances . . . . .	(1,533,165)	316,576	584,837	268,261
<b>Fund balances at beginning of year . . . . .</b>	<b>1,278,967</b>	<b>1,278,967</b>	<b>1,278,967</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>340,517</b>	<b>340,517</b>	<b>340,517</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 86,319</b>	<b>\$ 1,936,060</b>	<b>\$ 2,204,321</b>	<b>\$ 268,261</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 MOTOR VEHICLE LICENSE AND GAS TAX FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Fines and forfeitures . . . . .	\$ 24,193	\$ 31,381	\$ 31,381	\$ -
Intergovernmental. . . . .	4,125,593	5,351,257	5,437,265	86,008
Investment income. . . . .	1,492	1,935	1,935	-
Other . . . . .	50,537	65,551	87,567	22,016
<b>Total revenues . . . . .</b>	<u>4,201,815</u>	<u>5,450,124</u>	<u>5,558,148</u>	<u>108,024</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	4,262,409	5,507,564	5,280,820	226,744
Capital outlay . . . . .	-	-	86,006	(86,006)
Debt service:				
Principal retirement. . . . .	93,692	93,692	93,692	-
Interest and fiscal charges . . . . .	24,201	24,201	15,275	8,926
<b>Total expenditures . . . . .</b>	<u>4,380,302</u>	<u>5,625,457</u>	<u>5,475,793</u>	<u>149,664</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(178,487)</u>	<u>(175,333)</u>	<u>82,355</u>	<u>257,688</u>
<b>Other financing sources:</b>				
Other financing sources . . . . .	10,186	13,212	13,212	-
<b>Total other financing sources . . . . .</b>	<u>10,186</u>	<u>13,212</u>	<u>13,212</u>	<u>-</u>
Net change in fund balances . . . . .	(168,301)	(162,121)	95,567	257,688
<b>Fund balances at beginning of year . . . . .</b>	524,948	524,948	524,948	-
<b>Prior year encumbrances appropriated . . . . .</b>	170,405	170,405	170,405	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 527,052</u>	<u>\$ 533,232</u>	<u>\$ 790,920</u>	<u>\$ 257,688</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 COUNTY BOARD OF DD FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes . . . . .	\$ 2,258,445	\$ 2,794,267	\$ 2,794,783	\$ 516
Payment in lieu of taxes . . . . .	1,144	1,416	1,595	179
Charges for services. . . . .	154,293	190,899	190,899	-
Intergovernmental. . . . .	2,622,113	3,244,215	3,311,736	67,521
Contributions and donations. . . . .	8,144	10,076	10,076	-
Other . . . . .	71,300	88,216	96,057	7,841
Total revenues . . . . .	5,115,439	6,329,089	6,405,146	76,057
<b>Expenditures:</b>				
Current:				
Health . . . . .	6,056,239	6,482,239	6,038,388	443,851
Total expenditures . . . . .	6,056,239	6,482,239	6,038,388	443,851
Excess (deficiency) of revenues over (under) expenditures. . . . .	(940,800)	(153,150)	366,758	519,908
<b>Other financing sources:</b>				
Other financing sources . . . . .	-	-	256	256
Total other financing sources . . . . .	-	-	256	256
Net change in fund balances . . . . .	(940,800)	(153,150)	367,014	520,164
<b>Fund balances at beginning of year . . . . .</b>	2,788,694	2,788,694	2,788,694	-
<b>Prior year encumbrances appropriated . . . . .</b>	382,743	382,743	382,743	-
<b>Fund balance at end of year . . . . .</b>	\$ 2,230,637	\$ 3,018,287	\$ 3,538,451	\$ 520,164

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 EMERGENCY AMBULANCE LEVY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,152,705	\$ 1,250,127	\$ 1,250,358	\$ 231
Payment in lieu of taxes . . . . .	-	-	642	642
Charges for services. . . . .	1,488,147	1,613,918	1,623,184	9,266
Intergovernmental. . . . .	149,991	162,668	162,668	-
Other . . . . .	39,157	42,466	42,450	(16)
<b>Total revenues . . . . .</b>	<u>2,830,000</u>	<u>3,069,179</u>	<u>3,079,302</u>	<u>10,123</u>
<b>Expenditures:</b>				
Current:				
Health . . . . .	3,442,358	3,476,458	3,160,431	316,027
<b>Total expenditures . . . . .</b>	<u>3,442,358</u>	<u>3,476,458</u>	<u>3,160,431</u>	<u>316,027</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(612,358)</u>	<u>(407,279)</u>	<u>(81,129)</u>	<u>326,150</u>
<b>Other financing (uses):</b>				
Transfers (out). . . . .	(45,000)	(45,000)	(45,000)	-
<b>Total other financing (uses) . . . . .</b>	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
Net change in fund balances . . . . .	(657,358)	(452,279)	(126,129)	326,150
<b>Fund balances at beginning of year . . . . .</b>	1,459,872	1,459,872	1,459,872	-
<b>Prior year encumbrances appropriated . . . . .</b>	188,919	188,919	188,919	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 991,433</u>	<u>\$ 1,196,512</u>	<u>\$ 1,522,662</u>	<u>\$ 326,150</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**

STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 DECEMBER 31, 2012

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . .	\$ 175,751
Receivables:	
Accounts. . . . .	<u>13,076</u>
Total assets . . . . .	<u>188,827</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	11,751
Accrued wages and benefits payable . . . . .	1,071
Due to other governments . . . . .	765
Interfund loans payable. . . . .	450,000
Claims payable . . . . .	<u>461,550</u>
Total liabilities . . . . .	<u>925,137</u>
<b>Net position:</b>	
Unrestricted (deficit) . . . . .	<u>(736,310)</u>
Total net position (deficit) . . . . .	<u>\$ (736,310)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 3,665,226
Other . . . . .	229,716
Total operating revenues. . . . .	<u>3,894,942</u>
<b>Operating expenses:</b>	
Personal services . . . . .	40,056
Contract services. . . . .	480,973
Claims. . . . .	3,608,488
Other . . . . .	783
Total operating expenses. . . . .	<u>4,130,300</u>
Change in net position . . . . .	(235,358)
<b>Net position (deficit) at beginning of year. . .</b>	<u>(500,952)</u>
<b>Net position (deficit) at end of year . . . . .</b>	<u>\$ (736,310)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities:</b>	
Cash received from interfund services . . . . .	\$ 3,665,226
Cash received from other receipts. . . . .	228,010
Cash payments for personal services . . . . .	(28,040)
Cash payments for contractual services . . . . .	(480,973)
Cash payments for claims . . . . .	(3,658,368)
Cash payments for other expenses. . . . .	<u>(783)</u>
Net cash used in operating activities . . . . .	<u>(274,928)</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from interfund loans . . . . .	<u>450,000</u>
Net cash provided by noncapital financing activities . . . . .	<u>450,000</u>
Net increase in cash and cash equivalents . . . . .	175,072
<b>Cash and cash equivalents at beginning of year . . .</b>	<u>679</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 175,751</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (235,358)
Changes in assets and liabilities:	
Increase in accounts receivable . . . . .	(1,706)
Increase in accounts payable . . . . .	11,751
Increase in accrued wages and benefits . . . . .	264
Increase in due to other governments . . . . .	1
Decrease in claims payable . . . . .	<u>(49,880)</u>
Net cash (used in) operating activities . . . . .	<u><u>\$ (274,928)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2012

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 2,171,178
Cash in segregated accounts . . . . .	336,093
Receivables:	
Real and other taxes. . . . .	27,601,573
Due from other governments . . . . .	<u>1,916,247</u>
Total assets . . . . .	<u>\$ 32,025,091</u>
<b>Liabilities:</b>	
Compensated absences . . . . .	\$ 8,680
Due to other governments . . . . .	29,516,211
Deposits held and due to others . . . . .	<u>2,500,200</u>
Total liabilities . . . . .	<u>\$ 32,025,091</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### NOTE 1 - DESCRIPTION OF THE COUNTY

Coshocton County, Ohio (the "County") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The County was formed by the Ohio State Legislature in 1811. The County is governed by a three-member Board of Commissioners elected by the voters of the County. The County Commissioners serve as the taxing authority, the contracting body and the chief administrators of public services for the County.

The County Auditor serves as fiscal officer for the County and the tax assessor for all political subdivisions within the County. The County Treasurer is required by Ohio law to collect locally assessed taxes. As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County Treasury. Other elected officials include the Prosecutor, Engineer, Recorder, Sheriff, Coroner, Clerk of Courts and Common Pleas Judges.

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

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

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

##### A. Reporting Entity

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

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

##### *DISCRETELY PRESENTED COMPONENT UNITS*

The component unit's column in the combined financial statements identifies the financial data of the County's component units: Coshocton County Regional Airport Authority and the Hopewell Industries, Inc. They are reported separately to emphasize that they are legally separate from the County.

Coshocton County Regional Airport Authority (the "Authority") - is a legally separate regional airport authority established pursuant to Section 308.03 of the Ohio Revised Code, for the purpose of acquiring, constructing, operating, and maintaining an airport and airport facility in, and for, Coshocton County. Coshocton County Commissioners appoint a voting majority of the Board and the County has a financial benefit/burden relationship with the Authority.

## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

Hopewell Industries, Inc., (the "Workshop") - is a legally separate, not-for-profit corporation, served by a self-supporting board of trustees. The Workshop, under a contractual agreement with the Coshocton County Board of Developmental Disabilities (County Board of DD), provides sheltered employment for developmentally disabled adults in Coshocton County. The Coshocton County Board of DD provides the Workshop with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and Workshop's sole purpose of providing assistance to the developmentally disabled adults of Coshocton County, the Workshop is considered a component unit of the County.

Information related to Coshocton County Regional Airport Authority and Hopewell Industries, Inc. is presented in Notes 23 and 24.

#### *EXCLUDED POTENTIAL COMPONENT UNITS*

As counties are structured in Ohio, the County Auditor and County Treasurer, respectively, serve as fiscal officer and custodian of funds for various agencies, boards, and commissions. As fiscal officer, the County Auditor certifies the availability of cash and appropriations prior to the processing of payments and purchases. As the custodian of all public funds, the County Treasurer invests public monies held on deposit in the County Treasury.

In the case of the separate agencies, boards, and commissions listed below the County serves as fiscal agent and custodian, but is not accountable; therefore the operations of the following PCUs have been excluded from the County's basic financial statements, but the funds held on behalf of these PCUs in the County Treasury are included in the agency funds.

Information in the notes to the basic financial statements is applicable to the primary government. When information is provided relative to the component unit, it is specifically identified.

#### *JOINTLY GOVERNED ORGANIZATIONS*

Solid Waste District (the "District") - The County is a member of the Coshocton, Fairfield, Licking, and Perry Solid Waste District, which is a jointly governed organization. The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989 as required by the Ohio Revised Code.

The District is governed and operated through three groups. A twelve-member Board of Directors, consisting of three commissioners from each County, is responsible for the District's financial matters. Financial records are maintained by the Licking County Auditor. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. During 2012, the County paid \$7,003 to the District.

A twenty-nine-member policy committee, consisting of seven members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the policy committee. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

Muskingum Area Board of Alcohol, Drug Addiction, and Mental Health Services - (the "ADAMH") - The ADAMH Board is a jointly governed organization. Participants are Muskingum, Coshocton, Guernsey, Perry, Morgan, and Noble counties. The board has responsibility for development, coordinated continuation and ongoing modernization, funding, monitoring, and evaluation of community-based mental health and substance abuse programming. The ADAMH is managed by a eighteen-member Board of Trustees; ten appointed by the member Counties, commissioners of the participating counties, four by the Director of the State Department of Alcohol and Drug Addiction, and four appointed by the Director of the State Department of Mental Health. The ADAMH Board exercises total control, including budgeting, appropriating, contracting, and designating management.

During 2012, Coshocton County contributed \$405,401 from levy proceeds. Additional revenues are provided by levies from other member counties, and State and federal grants awarded to the multi-county board. Continued existence of the ADAMH is not dependent on the County's participation and no equity interest exists. The ADAMH has no outstanding debt.

Area Office on Aging (the "Council") - The Area Office on Aging is a regional council of governments that assists nine counties, including Coshocton County, in providing services to senior citizens in the Council's service area. The Council is governed by a Board of Directors consisting of one representative appointed by each participating County. The board has total control over budgeting, personnel, and all other financial matters. The continued existence of the Council is not dependent on the County's continued participation and no equity interest exists. The Council has no outstanding debt. No contributions were made by the County in 2012.

Mid East Ohio Regional Council of Governments (MEORC) - MEORC is a jointly governed organization which serves eighteen counties in Ohio. MEORC provides services to the developmentally disabled residents in the participating counties. MEORC is made up of the superintendents of each county's Board of Developmental Disabilities. Revenues are generated by fees and State grants. Continued existence of MEORC is not dependent on the County's continued participation. The County has no equity interest in, or financial responsibility for the MEORC. MEORC has no outstanding debt. During 2012, Coshocton County paid \$96,872 to MEORC for residential services.

Ohio Mideastern Governments Association (OMEGA) - OMEGA is organized as an agency of the local governments by agreement among the membership. OMEGA provides opportunities in economic and community development through networking, education, planning, research and allocation of resources. OMEGA consists of Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Tuscarawas and Columbiana Counties and other political subdivisions in the counties.

OMEGA's governing board consists of a total of three members from each county which appoints an executive board consisting of one person from each member county to supervise the administrative functions of OMEGA. The executive board elects officers and appoints an executive director and its own fiscal officer. The board exercises total control, including budgeting, appropriating, contracting, and designating management.

The continued existence of OMEGA is not dependent on the County's continued participation and no equity interest exists. OMEGA has no outstanding debt. No contributions were made by the County in 2012.

## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

Coshocton County Family and Children First Council (Council) - The mission of the Council is to promote and facilitate collaboration among community agencies serving children and their families and to unite the community in promoting the well-being of children and their families through leadership advocacy, and coordination of services. The Board of Trustees is made up of individuals from various organizations including the County. The Council did not receive any funding from the County during 2012.

Coshocton Port Authority (Port Authority) - The purpose of the Port Authority is to be involved in the activities that enhance, foster, aid, provide or promote transportation, economic development, education, governmental operations, culture, or research within the County. The Port Authority is governed by a five-member Board of Directors. Two members of the Board are appointed by the Mayor of the City and approved by Council of the City of Coshocton. Two members are appointed by the County Commissioner and the fifth appointment shall be approved by the four current members. The County paid \$50,000 to the Port Authority during 2012.

#### *PUBLIC ENTITY RISK POOL*

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

Each member has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board. No county may have more than one representative on the Board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2012 was \$220,264.

#### *RELATED ORGANIZATIONS*

Coshocton Metropolitan Housing Authority (the "Authority") - The Authority is a nonprofit organization established to provide adequate public housing for low income individuals and was created pursuant to State statutes. The Authority is operated by a five-member Board. Two members are appointed by the mayor of the largest city in the County, one member is appointed by the probate court judge, one member is appointed by the common pleas court judge, and one member is appointed by the County Commissioners. The Authority receives funding from the Federal Department of Housing and Urban Development. The Board sets its own budget and selects its own management, and the County is not involved in the management or operation. The County is not financially accountable for the Authority.

## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

Coshocton City and County Park District (the "District") - The District is a legally separate organization created pursuant to Ohio Revised Code Section 1545.01. The County cannot impose its will on the District and a financial benefit/burden relationship does not exist. State statute provides that the County Auditor and Treasurer are ex-officio members of the Park District Board of Commissioners and designates the County Auditor as fiscal officer of the commission. Neither do the County Commissioners have the ability to significantly influence operations, designate management, approve budgets, nor does the County have responsibility for funding deficits. The County maintains an agency fund for the District's operation since the County Auditor serves as fiscal agent for the District.

#### *JOINT VENTURE WITHOUT EQUITY INTEREST*

Coshocton County Regional Planning Commission (the "Commission") - The Commission was created under ORC 713.21. They make studies, maps, and other reports of the region showing their recommendations for systems of transportation, highways, parks, and recreational facilities, water supplies, sewage disposal, garbage disposal, civil centers, and other public improvements which affect the development of the region as a whole, or more than one political subdivision within the region. At year end the County had no equity interest in the Commission.

#### **B. Basis of Presentation**

**Government-wide Financial Statements** - The statement of net position and the statement of activities display information about the County as a whole. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements include the financial activities of the primary government except for fiduciary funds.

The statement of net position presents the financial condition of the governmental 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. 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. Revenues 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 function is self-financing or draws from the general revenues of the County.

**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 a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

#### **C. Fund Accounting**

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

## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

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

Motor vehicle license and gasoline tax fund - This fund accounts for State gasoline tax and motor vehicle registration fees for maintenance and improvement of County roads.

County board of developmental disabilities (the "county board of DD") fund - This fund accounts for a county-wide property tax levy, State grants and reimbursements used for care and services for the developmentally disabled.

Emergency ambulance levy fund - This fund accounts for a county-wide property tax levy used to operate the County emergency ambulance service.

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

**Proprietary Funds** - Proprietary funds focus on the determination of changes in net position, financial position, and cash flows, and are classified as either enterprise or internal service. The County's only proprietary fund is an internal service fund.

Internal service fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The County's only internal service fund accounts for a self-insurance program for employee health insurance benefits.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's only fiduciary funds are agency funds which account for property taxes, special assessments, "pass through" monies to be disbursed to local governments other than the County, and separate agencies, boards, and commissions for which the County serves as fiscal agent and custodian.

## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

##### D. Measurement Focus

**Government-wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of the County are included on the statement of 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 and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

##### E. Basis of Accounting

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

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

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

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

***Deferred Inflows of Resources and Deferred Outflows of Resources*** - A deferred inflow of resources is an acquisition of net position by the County that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the County that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2012, are recorded as deferred inflows on the governmental fund financial statements.

For current refunding and advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources.

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

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



**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

**F. Budgetary Data**

All funds, other than agency funds, are required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the County Commissioners may appropriate. The appropriation resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Commissioners. The legal level of control has been established by the County Commissioners at the object level within each department.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate that was in effect at the time the final appropriations were passed by the County Commissioners.

The appropriation resolution is subject to amendment by the Commissioners throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Commissioners during the year.

**G. Cash and Investments**

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

During 2012, the County invested in federal agency securities and non-negotiable certificates of deposit. The federal agency securities are reported at fair value which is based on quoted market prices. Non-negotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2012 amounted to \$162,368 which includes \$135,543 assigned from other County funds.

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

The County has monies being held by the Mid East Ohio Regional Council of Governments (MEORC). The funds held by MEORC at year end are reflected on the financial statements as "cash with fiscal agent".

**COSHOCTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

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

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

**H. Inventories of Materials and Supplies**

On government-wide and fund financial statements, purchased inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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

Inventory consists of expendable supplies held for consumption.

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**J. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a threshold of \$5,000 for general capital assets and a threshold of \$100,000 for infrastructure capital assets.

The County's governmental infrastructure assets consist of roads, bridges and culverts. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 80 years
Machinery and Equipment	10 - 15 years
Vehicles	10 - 20 years
Infrastructure	10 - 50 years
Software	5 - 7 years

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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 termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans, notes, capital leases and lease purchase agreements are recognized as a liability in the fund financial statements when due.

**M. Interfund Transactions**

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/interfund payable" for the current portion of interfund loans or loans to/from other funds for the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds". These amounts are eliminated on the statement of net position.

## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

##### **N. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

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

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

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

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

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

##### **O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the County, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

**COSHOCTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

**P. Net Position**

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes consist primarily of monies restricted for capital outlays, maintenance and repairs of facilities.

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

**Q. Estimates**

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

**R. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or event that are within the control of the County and that are either unusual in nature or infrequent in occurrence. During 2012, neither type of transaction occurred.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2012, the County has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53" and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the County.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the County.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the County's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the County.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had an effect on the financial statements of the County, as detailed in Note 3.B.

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Restatement of Net Position**

Net position of the governmental activities at January 1, 2012, has been restated for the implementation of GASB Statement No. 65 (removal of unamortized bond issuance costs) and for errors in the reporting of infrastructure capital assets (See Note 14 for detail) as follows:

	<u>Governmental Activities</u>
Net assets as previously reported	\$ 41,319,308
Removal of unamortized bond issuance costs	(30,223)
Restatement of capital assets	<u>(4,126,045)</u>
Net position at January 1, 2012	<u>\$ 37,163,040</u>

**C. Deficit Fund Balances / Net Position**

Fund balances / net position at December 31, 2012 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
OCJS grant	\$ 1,274
Victims assistance grant	1,643
BVP grant	5,852
Child support enforcement agency	11,628
Internal service fund	736,310

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

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.

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.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of, or guaranteed by, the United States and mature, or be redeemable, within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the County's name. During 2012, the County and public depositories complied with the provisions of these statutes.



**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

**A. Cash with Fiscal Agent**

At December 31, 2012, the County had \$1,257,035 in monies held by MEORC as fiscal agent. These funds are held outside of the County Treasury and are not included in “deposits with financial institutions” below.

**B. Cash on Hand**

At December 31, 2012, the County had \$954 in cash on hand which is reported on the financial statements as part of “equity in pooled cash and cash equivalents”.

**C. Deposits with Financial Institutions**

At December 31, 2012, the carrying amount of all County deposits was \$11,553,684 including cash in segregated accounts. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2012, \$5,874,639 of the County’s bank balance of \$11,812,580 was exposed to custodial risk as discussed below, while \$5,937,941 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the County’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

**D. Investments**

As of December 31, 2012, the County had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 4,000,100	\$ -	\$ 4,000,100	\$ -	\$ -	\$ -

The weighted average maturity of investments is 3.90 years.

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

*Credit Risk:* The federal agency securities carry a rating of AA+ and Aaa by Standard & Poor’s and Moody, respectively. The County’s investment policy does not specifically address credit risk beyond requiring the County to only invest in securities authorized by State statute.

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the County's name. The County has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the County Treasurer or qualified trustee.

*Concentration of Credit Risk:* The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ <u>4,000,100</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,553,684
Investments	4,000,100
Cash on hand	954
Cash with fiscal agent	<u>1,257,035</u>
Total	<u>\$ 16,811,773</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 14,304,502
Agency funds	<u>2,507,271</u>
Total	<u>\$ 16,811,773</u>

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 5 - INTERFUND TRANSACTIONS**

**A. Interfund Transfers**

Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported on the fund financial statements:

<u>Transfer from general fund to:</u>	
Nonmajor governmental funds	\$ 262,654
 <u>Transfer from emergency ambulance levy fund to:</u>	
Nonmajor governmental funds	45,000
 <u>Transfer from nonmajor governmental fund to:</u>	
Nonmajor governmental funds	<u>19,000</u>
 Total transfers	 <u><u>\$ 326,654</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers made in 2012 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

**B. Due To/From Other Funds**

The County had the following amounts due to/from other funds at December 31, 2012:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
General	\$ 22,316	\$ 2,263
County board of DD	-	3,940
Nonmajor governmental	<u>36,475</u>	<u>52,588</u>
Total	<u><u>\$ 58,791</u></u>	<u><u>\$ 58,791</u></u>

Amounts due to/from other funds represent amounts owed between funds for goods or services provided. The balances resulted from the time lag between the dates that payments between the funds are made. Due to/from other fund balances between governmental funds are eliminated for reporting on the government-wide statement of net position.

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

**C. Interfund Balances**

Interfund balances, related to items other than charges for goods and services rendered, at December 31, 2012, consist of the following individual fund loan receivable and payable as reported on the fund statements:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ 466,747	\$ -
Internal service	-	450,000
Nonmajor governmental	-	16,747
Total	<u>\$ 466,747</u>	<u>\$ 466,747</u>

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing district their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow.

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 6 - PROPERTY TAXES - (Continued)**

The full tax rate for all County operations for the year ended December 31, 2012 was \$11.65 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real property	\$ 579,852,370
Public utility personal property	<u>141,217,600</u>
Total assessed value	<u>\$ 721,069,970</u>

**NOTE 7 - PERMISSIVE SALES AND USE TAX**

In 1971, the County Commissioners, by resolution, imposed a one-half percent tax on all retail sales made in the County. In 1984, the County Commissioners, by resolution, imposed an additional one-half percent tax on all retail sales made in the County. At the end of 2005, the County Commissioners by resolution imposed a one-half percent tax on all retail sales made in the County for specific use in the Justice System to begin January 1, 2006. The State Tax Commissioner certifies to the Ohio Office of Budget and Management 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 the month. The Ohio Office of Budget and Management then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited to the general fund. Sales tax revenue in 2012 amounted to \$4,742,703 with the entire amount credited to the general fund.

**NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE**

During the current year and in a prior year, the County entered into lease agreements for the acquisition of copiers, server equipment and an energy management system. The assets have been capitalized in governmental capital assets in the amount of \$231,818, the present value of the minimum lease payments at the inception of the lease. Principal and interest payments for the capital lease obligation are made from the general fund.

Year	Amount
2013	\$ 23,642
2014	15,499
2015	10,056
2016	6,720
2017	<u>831</u>
Total minimum lease payments	56,748
Less: amount representing interest	<u>(4,678)</u>
Present value of minimum lease payments	<u>\$ 52,070</u>

**COSHOCTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 9 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE**

During 2011, the County entered into two lease purchase agreements with financial institutions to assist in financing telephone and HVAC equipment.

General capital assets acquired by agreement have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. For the County, a corresponding liability was recorded in the government-wide financial statements. Principal payments in 2012 totaled \$96,175 in the general fund. Principal and interest payments are made from the general fund.

Capital assets consisting of machinery and equipment have been capitalized in the amount of \$524,760 in governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition.

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2012:

<u>Year Ending December 31.</u>	<u>Amount</u>
2013	\$ 119,296
2014	119,295
2015	119,295
2016	<u>72,988</u>
Total minimum lease payments	430,874
Less: amount representing interest	<u>(39,109)</u>
Present value of future minimum lease payments	<u>\$ 391,765</u>

**NOTE 10 - OPERATING LEASE - LESSOR DISCLOSURE**

The County is the lessor of oil and gas rights on certain land parcels owned by the County to Anadarko E&P Company LP. The lease agreement is from May 11, 2012 through May 11, 2017. The County received \$1,279,575 during 2012 in the general fund upon the execution of the lease. The County will receive royalty payments once the operation produces oil and gas.

**NOTE 11 - COMPENSATED ABSENCES**

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the County. No vacation time shall be carried over for more than three years. Accumulated, unused sick leave is paid at varying rates depending on length of service to employees who retire.

**NOTE 12 - 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.

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 12 - CONTINGENT LIABILITIES - (Continued)**

At year end, the County was involved in a pending lawsuit as a defendant. However, at December 31, the outcome of the lawsuit is undetermined.

**NOTE 13 - RECEIVABLES**

Receivables at December 31, 2012, consisted of taxes, accounts, accrued interest and intergovernmental receivables arising from grants, entitlements and shared revenue. Receivables have been recorded to the extent that they are measurable at December 31, 2012. A summary of the principal items due from other governments:

Fund / Type	Amount
Major funds:	
General fund:	
Local government revenue	\$ 142,250
Payment in lieu of taxes	36
Casino tax	85,571
Homestead and rollback	90,637
Miscellaneous reimbursements	22,946
	341,440
Motor vehicle license and gasoline tax fund:	
License, gasoline and permissive taxes	1,952,741
Miscellaneous grants and reimbursements	217,665
	2,170,406
County board of DD fund:	
Payment in lieu of taxes	66
Homestead and rollback	153,213
Miscellaneous reimbursements	3,189
	156,468
Emergency ambulance levy fund:	
Payment in lieu of taxes	43
Homestead and rollback	109,659
EMS	837
	110,539
Other governmental funds:	
Payment in lieu of taxes	26
Homestead and rollback	52,125
Miscellaneous grants and reimbursements	296,095
	348,246
Total due from other governments	\$ 3,127,099

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 14 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated due to the findings of errors in the reporting of the County's infrastructure capital assets. In accordance with the County's capital asset policy, all infrastructure capital assets with a threshold of less than \$100,000 have been removed.

	Balance		Restated
	<u>December 31, 2011</u>	<u>Adjustments</u>	<u>Balance</u>
			<u>December 31, 2011</u>
<b>Governmental activities:</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 656,781	\$ -	\$ 656,781
Total capital assets, not being depreciated	<u>656,781</u>	<u>-</u>	<u>656,781</u>
<i>Capital assets, being depreciated:</i>			
Building improvements	14,300,117	-	14,300,117
Machinery and equipment	4,687,441	-	4,687,441
Vehicles	3,387,242	-	3,387,242
Infrastructure	36,747,913	(8,420,589)	28,327,324
Software	591,992	-	591,992
Total capital assets, being depreciated	<u>59,714,705</u>	<u>(8,420,589)</u>	<u>51,294,116</u>
<i>Less: accumulated depreciation:</i>			
Building improvements	(8,967,801)	-	(8,967,801)
Machinery and equipment	(3,340,922)	-	(3,340,922)
Vehicles	(2,563,725)	-	(2,563,725)
Infrastructure	(15,055,396)	4,294,544	(10,760,852)
Software	(408,042)	-	(408,042)
Total accumulated depreciation	<u>(30,335,886)</u>	<u>4,294,544</u>	<u>(26,041,342)</u>
Total capital assets being depreciated, net	<u>29,378,819</u>	<u>(4,328,145)</u>	<u>25,050,674</u>
Governmental activities capital assets, net	<u>\$ 30,035,600</u>	<u>\$ (4,126,045)</u>	<u>\$ 25,909,555</u>



**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 14 - CAPITAL ASSETS - (Continued)**

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

	Restated Balance 12/31/11	Additions	Deductions	Balance 12/31/12
<b><u>Governmental activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 656,781	\$ 74,747	\$ (27,670)	\$ 703,858
Total capital assets, not being depreciated	<u>656,781</u>	<u>74,747</u>	<u>(27,670)</u>	<u>703,858</u>
<i>Capital assets, being depreciated:</i>				
Building improvements	14,300,117	7,140	(2,141,390)	12,165,867
Machinery and equipment	4,687,441	32,924	(63,765)	4,656,600
Vehicles	3,387,242	448,033	(271,691)	3,563,584
Infrastructure	28,327,324	1,206,732	-	29,534,056
Software	591,992	-	-	591,992
Total capital assets, being depreciated	<u>51,294,116</u>	<u>1,694,829</u>	<u>(2,476,846)</u>	<u>50,512,099</u>
<i>Less: accumulated depreciation:</i>				
Building and improvements	(8,967,801)	(304,929)	2,141,390	(7,131,340)
Machinery and equipment	(3,340,922)	(214,461)	63,765	(3,491,618)
Vehicles	(2,563,725)	(249,996)	238,552	(2,575,169)
Infrastructure	(10,760,852)	(1,292,214)	-	(12,053,066)
Software	(408,042)	(24,410)	-	(432,452)
Total accumulated depreciation	<u>(26,041,342)</u>	<u>(2,086,010)</u>	<u>2,443,707</u>	<u>(25,683,645)</u>
Total capital assets, being depreciated net	<u>25,252,774</u>	<u>(391,181)</u>	<u>(33,139)</u>	<u>24,828,454</u>
Governmental activities capital assets, net	<u>\$ 25,909,555</u>	<u>\$ (316,434)</u>	<u>\$ (60,809)</u>	<u>\$ 25,532,312</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental activities:</u>	
General government:	
Legislative and executive	\$ 127,531
Judicial	64,852
Public safety	70,723
Public works	1,513,223
Health	224,653
Human services	83,900
Conservation and recreation	1,128
Total depreciation expense - governmental activities	<u>\$ 2,086,010</u>

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 15 - LONG-TERM OBLIGATIONS**

The County's governmental activities long-term obligations at year-end and a schedule of current year activity are as follows:

<b>Governmental Activities:</b>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/12</u>	<u>Amount Due in One Year</u>
<b>General obligation bonds:</b>								
Human Services Building	1990	12/1/2016	5.9-7.3%	\$ 175,000	\$ -	\$ (35,000)	\$ 140,000	\$ 35,000
County Garage Building - Refunding Bonds	2011	12/1/2019	1.40-4.00%	570,000	-	(70,000)	500,000	65,000
Juvenile/Probate Court Phones	2002	12/1/2022	1.6-4.5%	525,000	-	(525,000)	-	-
N. Corridor/Various Purpose General Obligation	2004	12/1/2029	4.5-4.99%	1,750,000	-	(1,685,000)	65,000	65,000
Refunding Bonds	2012	12/1/2029	1.0-3.4%	-	2,400,000	(55,000)	2,345,000	75,000
<b>Total general obligation bonds</b>				<u>3,020,000</u>	<u>2,400,000</u>	<u>(2,370,000)</u>	<u>3,050,000</u>	<u>240,000</u>
<b>Notes</b>								
Hopewell Roof Note	2003	3/20/2013	3.94%	30,000	-	(15,000)	15,000	15,000
Sewer Note	2009	7/1/2019	3.45%	160,000	-	(20,000)	140,000	20,000
<b>Total notes</b>				<u>190,000</u>	<u>-</u>	<u>(35,000)</u>	<u>155,000</u>	<u>35,000</u>
<b>Loans:</b>								
OPWC - Bridge Program	2005	7/1/2016	0.00%	52,769	-	(17,087)	35,682	10,195
OPWC - N. Corridor Sewer	2001	7/1/2021	0.00%	37,345	-	(5,600)	31,745	3,735
OPWC - Bridge Program	2002	7/1/2012	0.00%	6,605	-	(6,605)	-	-
OPWC - Sewer Replacement	2004	1/1/2024	0.00%	10,716	-	(1,283)	9,433	858
OPWC - SR 83 Extension	2007	7/1/2029	0.00%	41,868	-	(3,590)	38,278	2,392
OPWC - County Rd. 55	2010	1/1/2032	0.00%	4,085	19,266	(1,168)	22,183	1,167
OPWC - County Rd. 495 Township Rd. 74				147,623	45,871	(9,674)	183,820	9,675
OWDA - Fresno/Pearl Sewer Construction	2010	1/1/2041	1.00%	226,408	-	(6,766)	219,642	6,834
<b>Total Loans</b>				<u>527,419</u>	<u>65,137</u>	<u>(51,773)</u>	<u>540,783</u>	<u>34,856</u>
<b>Other long-term obligations:</b>								
Capital Leases				85,494	14,726	(48,150)	52,070	21,284
Lease Purchase Agreements				487,940	-	(96,175)	391,765	101,272
Compensated Absences				1,130,134	573,991	(606,731)	1,097,394	720,662
<b>Total Other Long-Term Obligations</b>				<u>1,703,568</u>	<u>588,717</u>	<u>(751,056)</u>	<u>1,541,229</u>	<u>843,218</u>
<b>Total general long-term obligations</b>				<u>\$ 5,440,987</u>	<u>\$ 3,053,854</u>	<u>\$ (3,207,829)</u>	<u>5,287,012</u>	<u>\$ 1,153,074</u>
Add: unamortized premium on bond issuance							8,103	
<b>Total reported on the statement of net assets</b>							<u>\$ 5,295,115</u>	

## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### **NOTE 15 - LONG TERM OBLIGATIONS - (Continued)**

The general obligation bonds are direct obligations of the County and will be paid from the debt service funds (nonmajor governmental funds) and the motor vehicle license and gasoline tax fund using property tax revenues and gasoline tax revenues.

On April 4, 2012, the County issued \$2,400,000 in general obligation refunding bonds- Series 2012 for the purpose of refunding the Juvenile/Probate Court Phones bonds - Series 2002 and a portion of the North Corridor/Various Purpose bonds - Series 2004. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding bonds are comprised of current interest bonds, par value \$2,400,000. The bonds bear interest rates ranging from 1.00% - 3.40%. Principal and interest payments are made from the North Corridor debt service fund (a nonmajor governmental fund) and are due on December 1 and June 1 of each year. The bonds mature on December 1, 2029.

The reacquisition price exceeded the net carrying amount of old debt by \$208,967. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The refunding resulted in \$105,714 in gross debt service savings.

On April 5, 2011, the County issued \$640,000 in County garage building refunding bonds - Series 2011 for the purpose of refunding the County garage building bonds - Series 1999. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding bonds are comprised of current interest bonds, par value \$640,000. The bonds bear interest rates ranging from 1.40% - 4.00%. Principal and interest payments are made from the motor vehicle license and gasoline tax fund and are due on December 1 of each year. The bonds mature on December 1, 2019.

The reacquisition price exceeded the net carrying amount of old debt by \$23,832. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The refunding resulted in \$62,993 in gross debt service savings.

The Hopewell roof note and the sewer note will be paid from debt service funds (nonmajor governmental funds) using property tax revenues.

The Ohio Public Works Commission (OPWC) loans will be paid from the debt service funds (nonmajor governmental funds) and the motor vehicle license and gasoline tax fund using property tax revenues and gasoline tax revenues.

The County has entered into a contractual agreement for a construction loan from the OWDA. Under the terms of this agreement, OWDA will reimburse, advance, or directly pay the construction costs of the approved projects. OWDA will capitalize administration costs and construction interest and then add them to the total amounts of the final loan. At December 31, 2012 the balance of the County's OWDA loan is \$219,642. The Ohio Water Development Authority (OWDA) loan will be paid from the debt service funds (nonmajor governmental funds) using user fees and property tax revenues.

Compensated absences will be paid from the fund from which the employees' salaries are paid, which, for the County, is primarily the general fund, the human services fund (a nonmajor governmental fund), the motor vehicle license and gasoline tax fund and the county board of DD fund.

Refer to Notes 8 and 9 for detail on the capital leases and lease purchase agreement, respectively.

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 15 - LONG TERM OBLIGATIONS - (Continued)**

The annual requirements to retire governmental activities debt are as follows.

Year Ending December 31,	General Obligation Bonds		OPWC Loans	OWDA Loan	
	Principal	Interest	Principal	Principal	Interest
2013	\$ 240,000	\$ 86,076	\$ 28,022	\$ 6,834	\$ 2,179
2014	240,000	79,261	28,023	6,902	2,111
2015	250,000	73,241	28,022	6,972	2,042
2016	255,000	67,041	22,925	7,041	1,972
2017	225,000	59,386	17,827	7,112	1,901
2018 - 2022	960,000	214,688	83,532	36,644	8,422
2023 - 2027	610,000	106,890	67,022	38,518	6,548
2028 - 2032	270,000	13,771	45,768	40,488	4,578
2033 - 2037	-	-	-	42,558	2,508
2038 - 2040	-	-	-	26,573	467
Total	<u>\$ 3,050,000</u>	<u>\$ 700,354</u>	<u>\$ 321,141</u>	<u>\$ 219,642</u>	<u>\$ 32,728</u>

Year Ending December 31,	Notes Payable		Total	
	Principal	Interest	Principal	Interest
2013	\$ 35,000	\$ 5,421	\$ 309,856	\$ 93,676
2014	20,000	4,140	294,925	85,512
2015	20,000	3,450	304,994	78,733
2016	20,000	2,760	304,966	71,773
2017	20,000	2,070	269,939	63,357
2018 - 2022	40,000	2,070	1,120,176	225,180
2023 - 2027	-	-	715,540	113,438
2028 - 2032	-	-	356,256	18,349
2033 - 2037	-	-	42,558	2,508
2038 - 2040	-	-	26,573	467
Total	<u>\$ 155,000</u>	<u>\$ 19,911</u>	<u>\$ 3,745,783</u>	<u>\$ 752,993</u>

Legal Debt Margin

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

**COSHOCTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 15 - LONG TERM OBLIGATIONS - (Continued)**

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, the County's voted legal debt margin was \$13,571,273 at December 31, 2012 and the unvoted legal debt margin was \$7,210,700 at December 31, 2012.

**NOTE 16 - RISK MANAGEMENT**

**A. General Insurance**

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

The County is a member of County Risk Sharing Authority, Inc. (CORSA) which is a shared risk pool of sixty-one counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. The program is governed by a nine member Board of Trustees, all of whom must be commissioners from member counties. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include liability, property and crime insurance.

By contracting with the CORSA for liability, property, and crime insurance, the County has addressed these various types of risk. CORSA, a nonprofit corporation sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property, casualty and crime coverage for its members. CORSA was established May 12, 1987, and has grown to sixty-one members.

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 16 - RISK MANAGEMENT - (Continued)**

The CORSA program has a \$2,500 deductible per claim. Coverage provided by CORSA is as follows:

General liability	\$ 1,000,000
Law enforcement liability	1,000,000
Errors and omissions liability:	
Per occurrence	1,000,000
Annual aggregate	1,000,000
Back Wages- per occurrence	50,000
Automobile liability	1,000,000
Uninsured/underinsured motorists liability	250,000
Excess liability	5,000,000
Foster parents	6,000,000
Accounts receivable	5,000,000
Property - total covered value	86,197,592
Other property insurance:	
Extra expense/business income	1,000,000
Electronic Data Processing (EDP)	
Media -per occurrence	100,000
Extra Expense - per occurrence	25,000
Sewer line coverage	5,930,582
Water line coverage	5,510,892

With the exception of workers' compensation, health insurance and all elected officials' bonds, all coverage is held with CORSA. Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

**B. Workers' Compensation**

The County participated in the County Commissioners Association of Ohio Workers' Compensation Group Retro Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. Performance discounts are given to pool members based on experience. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 16 - RISK MANAGEMENT - (Continued)**

**C. Health Care Self-Insurance**

The County maintains a Self-Insurance Internal Service Fund to account for, and finance, its uninsured risks of loss in this program. Through October 31, 2012, this plan provided a major medical plan with a \$1,500 individual and \$2,000 family deductible and a Preferred Provider Network (PPO) with a \$400 individual and a \$800 family deductible. A third party administrator, Aultra Administrative Services, located in Canton, Ohio, reviewed all claims which are then paid by the County. At the end December 31, 2012, the plan provided 3 different options for coverage for eligible County employees. The first option being Plan A – Buyup a major medical with a \$1,000 individual and \$2,000 family deductible and a Preferred Provider Network (PPO) with a \$500 individual and a \$1,000 family deductible. The second option being Plan B - Core a major medical with a \$2,000 individual deductible and a \$4,000 family deductible and a Preferred Provider Network (PPO) with a \$1,000 individual and a \$2,000 family deductible. The third option being a Plan C - Health Savings Account (HSA) major medical with a \$5,000 individual deductible and a \$10,000 family deductible and a Preferred Provider Network (PPO) with a \$2,500 deductible and a \$5,000 family deductible. The County purchases stop-loss coverage of \$90,000 per employee per year and an aggregate annual limit of \$1,000,000. For the period January 1, 2012 through February 29, 2012, the County provided \$1,210 family coverage, \$509 single coverage per employee per month, for the period March 1, 2012 through September 30, 2012 the County provided \$1,331 family coverage, \$560 single coverage and for the period October 1, 2012 through December 31, 2012 the County provided three options for employees to choose from. Plan A-Buyup - \$1,423 family coverage, \$483 single, Employee + Spouse \$1,013 and Employee + child/children \$820. For Plan B – Core - \$1,367 family coverage, \$463 single coverage, \$973 Employee + spouse and \$788 employee + child/children. Plan C – HSA - \$1,422 family coverage, \$482 single, \$1012 employee + spouse and \$819 employee + child/children coverage which represents the entire premium required. Effective October 1, 2012 a Third Party Administrator, Mutual Health Services, a division of Medical Mutual and located in Akron, Ohio began reviewing all claims which are then paid by the County. Aultra Administrative Service’s, is processing all run-out claims (claims prior to October 1, 2012) for the county. This premium is paid by the fund that pays a portion of the salary for the employee and is based on historic cost information.

The claims liability of \$461,550 reported in the fund at December 31, 2012, was estimated by a third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported, claims, be reported. The estimate was not affected by incremental claim adjustment expense and does not include allocated or unallocated claims adjustment expenses.

Changes in the fund’s claims liability amount for 2012 and 2011 were:

		<u>Balance at</u>		<u>Current</u>		<u>Claim</u>		<u>Balance at</u>
		<u>Beginning of Year</u>		<u>Year Claims</u>		<u>Payments</u>		<u>End of Year</u>
2012	\$	511,430	\$	3,608,488	\$	(3,658,368)	\$	461,550
2011		333,295		2,976,298		(2,798,163)		511,430

## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### NOTE 17 - PENSION PLANS

##### A. Ohio Public Employees Retirement System

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012 member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2012 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.50% and 12.10%, respectively. The County's contribution rate for 2012 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The County's contribution rate for pension benefits for members in the Combined Plan and Traditional Plan was 7.95% and 10.00%, respectively. For those plan members in law enforcement and public safety pension contributions were 14.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$1,463,930, \$1,408,826, and \$1,364,522, respectively; 93.40% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the member-directed plan for 2012 were \$22,692 made by the County and \$16,208 made by the plan members.

##### B. State Teachers Retirement System of Ohio

Plan Description - The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".



**COSHOCTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 17 - PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For 2012, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2012, 2011 and 2010 were \$36,583, \$38,752 and \$50,208, respectively; 100 percent has been contributed for 2012, 2011 and 2010.

**NOTE 18 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement**

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

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

## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### **NOTE 18 - POSTEMPLOYMENT BENEFIT PLANS - (Continued)**

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$562,686, \$537,490, and \$725,808, respectively; 93.40% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

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

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2012, 2011 and 2010 were \$2,814, \$2,981 and \$3,861, respectively; 100 percent has been contributed for 2012, 2011 and 2010.

## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### **NOTE 19 - RELATED PARTY TRANSACTIONS**

Hopewell Industries, Inc., a component unit of Coshocton County, received in-kind contributions in the amount of \$42,061 during 2012 from the County for facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs. The Coshocton County Board of Developmental Disabilities expended \$180,044 in the operation of Hopewell Industries, Inc. during 2012.

Coshocton County Airport authority is a component unit of Coshocton County. During 2012, the County Airport Authority received an operating transfer from the County in the amount of \$2,594.

Additionally, the County pays salary and fringe benefits for Airport Authority employees, with the exception of the Airport Authority's Secretary – Treasurer. During 2012, the County paid Airport Authority employees' salaries and fringe benefits of \$103,147. The Airport Authority obtains federal grants that have matching requirements of 5% and 10%, depending on the grant. Matching requirements are made from non-federal revenue sources. The County pays the local matching requirement of the Airport Authority grants. During 2012, The County paid \$11,473 to Airport Authority vendors to make the local matching requirements. Also, the County made a 0% interest loan to the Airport Authority totaling \$70,982 for the purpose of allowing the Airport Authority to make an outstanding payment due to a local contractor. It was repaid by the Airport Authority during the year.

#### **NOTE 20 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to restricted, assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 20 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>	Motor Vehicle License and <u>Gasoline Tax</u>	County Board of <u>DD</u>	Emergency Ambulance <u>Levy</u>
Budget basis	\$ 584,837	\$ 95,567	\$ 367,014	\$ (126,129)
Net adjustment for revenue accruals	(27,607)	42,990	48,211	71,219
Net adjustment for expenditure accruals	(44,082)	(21,126)	(359,282)	20,701
Net adjustment for other sources/uses	479,070	(13,212)	(256)	-
Funds budgeted elsewhere	32,698	-	-	-
Adjustment for encumbrances	<u>397,703</u>	<u>176,324</u>	<u>421,630</u>	<u>94,325</u>
GAAP basis	<u>\$ 1,422,619</u>	<u>\$ 280,543</u>	<u>\$ 477,317</u>	<u>\$ 60,116</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the county recorder equipment fund and the certificate of title administration fund.

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 21 - FUND BALANCE**

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

Fund balance	General	Motor Vehicle and Gas Tax Fund	County Board of DD Fund	Emergency Ambulance Levy Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepays	\$ 73,388	\$ -	\$ -	\$ -	\$ -	\$ 73,388
Materials and supplies inventory	60,171	321,497	2,388	44,308	12,979	441,343
Unclaimed monies	30,898	-	-	-	-	30,898
Total nonspendable	<u>164,457</u>	<u>321,497</u>	<u>2,388</u>	<u>44,308</u>	<u>12,979</u>	<u>545,629</u>
Restricted:						
Capital projects	-	-	-	-	237,512	237,512
Debt service	-	-	-	-	69,449	69,449
Public works	-	1,171,130	-	-	135,619	1,306,749
Human services	-	-	-	-	582,737	582,737
Health	-	-	5,079,360	-	239,779	5,319,139
General government operations	-	-	-	-	864,997	864,997
Public safety programs	-	-	-	-	509,722	509,722
Other purposes	-	-	-	-	42,177	42,177
Total restricted	<u>-</u>	<u>1,171,130</u>	<u>5,079,360</u>	<u>-</u>	<u>2,681,992</u>	<u>8,932,482</u>
Committed:						
Capital projects	-	-	-	-	139,635	139,635
Debt service	-	-	-	-	25,075	25,075
Human services	-	-	-	-	164,771	164,771
Health	-	-	-	1,635,585	-	1,635,585
Public safety programs	-	-	-	-	18,097	18,097
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,635,585</u>	<u>347,578</u>	<u>1,983,163</u>
Assigned:						
Public works	34,038	-	-	-	-	34,038
Human services	29,442	-	-	-	-	29,442
General government operations	198,849	-	-	-	-	198,849
Public safety programs	44,009	-	-	-	-	44,009
Other purposes	22	-	-	-	-	22
Subsequent year appropriations	1,484,606	-	-	-	-	1,484,606
Total assigned	<u>1,790,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,790,966</u>
Unassigned (deficit)	<u>1,608,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,397)</u>	<u>1,587,807</u>
Total fund balances	<u>\$ 3,563,627</u>	<u>\$ 1,492,627</u>	<u>\$ 5,081,748</u>	<u>\$ 1,679,893</u>	<u>\$ 3,022,152</u>	<u>\$ 14,840,047</u>

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 22 - OTHER COMMITMENTS**

The County utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the County's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End</u> <u>Encumbrances</u>
General	\$ 306,360
Motor vehicle and gas tax	132,167
County board of DD	384,206
Emergency ambulance levy	80,139
Other governmental	<u>363,465</u>
Total	<u>\$ 1,266,337</u>

**NOTE 23 - COSHOCTON COUNTY REGIONAL AIRPORT AUTHORITY - COMPONENT UNIT**

**A. Reporting Entity**

The Coshocton County Regional Airport Authority, Coshocton County, (the Airport) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a seven member Board, with a majority of the Board appointed by the Coshocton County Commissioners. The Board has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name; the power to establish and collect rates, rentals, and other charges; the authority to acquire, construct, operate, manage and maintain airport facilities; the authority to buy and sell real and personal property; and the authority to issue debt for acquiring or constructing any facility or permanent improvement. Since the Airport imposes a financial burden on the County, the Airport is reflected as a component unit of Coshocton County. The Airport has a December 31 year end.

**B. Summary of Significant Accounting Policies**

The Airport reports its operations as a single enterprise fund. Enterprise accounting is used to report any activity for which a fee is charged to external users for goods or services.

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 23 - COSHOCTON COUNTY REGIONAL AIRPORT AUTHORITY - COMPONENT UNIT -  
(Continued)**

1. *Measurement Focus and Basis of Accounting*

The Airport's fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The Airport used the full accrual basis of accounting in which revenue is recognized when earned and expenses when incurred.

2. *Cash*

To improve cash management, cash received by the Airport is pooled in a central bank account. The Airport has no investments.

3. *Capital Assets*

Capital assets at the Airport are capitalized. All capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year.

Donated capital assets are recorded at their fair market values as of the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fund capital assets.

Depreciation is computed using the straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	40 - 50 years
Furniture and Equipment	25 years
Vehicles	10 years
Infrastructure	5 - 40 years

4. *Estimates*

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

**C. Deposits and Investments**

At year end, the carrying amount of the Airport's deposits was \$175,925 and the bank balance was \$210,220. The entire balance was covered by Federal Deposit Insurance Corporation. The Airport has no investments.

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 23 - COSHOCTON COUNTY REGIONAL AIRPORT AUTHORITY - COMPONENT UNIT -  
(Continued)**

**D. Capital Assets**

The capital asset balances of the Airport have been restated due to the findings of errors and omission in the prior period.

	Restated Balance 12/31/11	Additions	Deductions	Balance 12/31/12
<i>Capital assets, not being depreciated:</i>				
Land	\$ 201,984	\$ -	\$ (12,688)	\$ 189,296
Total capital assets, not being depreciated	201,984	-	(12,688)	189,296
<i>Capital assets, being depreciated:</i>				
Building and improvements	675,000	-	-	675,000
Infrastructure	4,930,844	-	-	4,930,844
Vehicles	14,394	-	-	14,394
Furniture and equipment	292,627	136,001	-	428,628
Total cost	5,912,865	136,001	-	6,048,866
<i>Less: accumulated depreciation:</i>				
Building and improvements	(216,250)	(11,250)	-	(227,500)
Infrastructure	(1,077,886)	(197,232)	-	(1,275,118)
Vehicles	(14,394)	-	-	(14,394)
Furniture and equipment	(218,274)	(18,285)	-	(236,559)
Total accumulated depreciation	(1,526,804)	(226,767)	-	(1,753,571)
Total capital assets, being depreciated net	4,386,061	(90,766)	-	4,295,295
Total capital assets, net	\$ 4,588,045	\$ (90,766)	\$ (12,688)	\$ 4,484,591

**E. Restatement of Net Position**

Net position at January 1, 2012 has been restated from \$4,600,547 to \$4,638,159 to properly reflect the cash balance and land capital asset balance of the Airport at the beginning of the year.



## COSHOCTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### NOTE 24 - HOPEWELL INDUSTRIES, INC - COMPONENT UNIT

##### A. Reporting Entity

Hopewell Industries, Inc. (the "Workshop") is a legally separate, not-for-profit corporation, served by a self-supporting Board of Trustees. The Workshop, under a contractual agreement with the Coshocton County Board of Developmental Disabilities (County Board of DD), provides sheltered employment for developmentally disabled adults in Coshocton County. The Coshocton County Board of DD provides the Workshop with staff salaries, transportation, equipment, staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and Workshop's sole purpose of providing assistance to the developmentally disabled adults of Coshocton County, the Workshop is considered a component unit of Coshocton County. Hopewell Industries, Inc. has a December 31 year end.

##### B. Basis of Accounting

The financial statements of Hopewell Industries, Inc. have been prepared in conformity with GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Since Hopewell Industries, Inc. is a component unit of Coshocton County, the same basis of accounting has been chosen to be used for presentation purposes.

Current funds - unrestricted funds represent resources over which the Board of Trustees has discretionary control and are used to carry out the operations of the Workshop in accordance with its bylaws. Restricted funds represent resources currently available for use, but expendable only for those operating purposes specified by the donor. Resources of this fund originate from gifts, grants, bequests, contracts, and emergency appeals.

Land, building, and equipment funds are designed to account for funds restricted for land, building, and equipment acquisitions and funds expended. Land, building and equipment acquisitions are financed through current operations.

Inventories are stated at the lower of cost or market. Cost is determined substantially by the first-in, first-out method. Market value is based on replacement cost. Substantially, the entire inventory consists of raw materials and supplies used in the various production activities.

Property, plant, and equipment are carried at cost and include expenditures for major renewals and betterments. Donated equipment is recorded at the fair market value. Maintenance, repairs, and minor renewals are charged to expenses as incurred. When assets are sold, or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any profit or loss arising from such disposition is included as income or expense in the year in which sold.

Depreciation is based on the estimated useful lives computed on the straight-line method.

##### C. Deposits and Investments

At year end, the carrying amount of the Workshop's deposits was \$63,343 and the bank balance was \$64,345. The entire bank balance was covered by the Federal Deposit Insurance Corporation. Additionally, at December 31, 2012 the Workshop had \$175 in cash on hand which is reported on the financial statements as part of "equity in pooled cash and cash equivalents."

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 24 - HOPEWELL INDUSTRIES, INC - COMPONENT UNIT - (Continued)**

**D. Investments**

As of December 31, 2012, the Workshop had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Greater than 24 months</u>
Corporate bonds	\$ 77,333	\$ 77,333
Mutual funds	<u>54,552</u>	<u>54,552</u>
 Total	 <u>\$ 131,885</u>	 <u>\$ 131,885</u>

The Workshop follows the County's investment policy.

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

*Credit Risk* - The Workshop's investments in corporate bonds carry ratings of AA+ and Aaa by Standard & Poor's and Moody's, respectively.

*Custodial Credit Risk* - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Workshop will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Workshop's investments in corporate bonds are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the Workshop's name. The County has no investment policy dealing with investment custodial risk beyond the requirement in State Statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk* - The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by Hopewell Industries, Inc. at December 31, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Corporate bonds	\$ 77,333	58.64
Mutual funds	<u>54,552</u>	<u>41.36</u>
 Total	 <u>\$ 131,885</u>	 <u>100.00</u>

**COSHOCTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 24 - HOPEWELL INDUSTRIES, INC - COMPONENT UNIT - (Continued)**

**E. Equipment and Buildings**

The following is a summary of equipment and capital improvements at December 31, 2012.

Furniture, fixtures & vehicles	\$ 195,598
Building improvements	27,549
Equipment	<u>74,705</u>
	297,852
Less: Accumulated depreciation	<u>(171,880)</u>
Net equipment and capital improvements	<u>\$ 125,972</u>

**F. Capital Lease**

During the current fiscal year, the Workshop entered into two lease agreements for the acquisition of two buses. The assets have been capitalized in Workshop capital assets in the amount of \$107,251, the present value of the minimum lease payments at the inception of the lease. Principal and interest payments for the capital lease obligation are made by the shop from their one fund.

Year Ending <u>December 31,</u>	<u>Amount</u>
2013	\$ 22,078
2014	22,078
2015	22,078
2016	22,078
2017	<u>36,179</u>
Total minimum lease payments	124,491
Less: amount representing interest	<u>(22,911)</u>
Present value of future minimum lease payments	<u>\$ 101,580</u>

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**COSHOCTON COUNTY**  
**FEDERAL AWARDS EXPENDITURES SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed through the Ohio Department of Job and Family Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1213-11-0024	10.561	\$ 296,016
Total U.S. Department of Agriculture			296,016
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed through the Ohio Department of Development:</i>			
Community Development Block Grants - State's Program	B-F-10-1AP-1	14.228	79,841
	B-F-11-1AP-1		109,759
	B-C-11-1AP-1		131,656
Total Community Development Block Grants - State's Program			321,256
HOME Investment Partnerships Program	B-C-11-1AP-2	14.239	155,096
Total U.S. Department of Housing and Urban Development			476,352
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<i>Passed through the Ohio Office of Criminal Justice Services:</i>			
Crime Victims Assistance Program:			
Crime Victims Assistance	2012VAGENE001	16.575	15,737
Crime Victims Assistance	2013VAGENE001		4,081
Total Crime Victims Assistance Program			19,818
<i>Passed through the Ohio Department of Youth Services:</i>			
Juvenile Accountability Block Grants	2009-JB-015-B057	16.523	9,521
Total U.S. Department of Justice			29,339
<b><u>U.S. DEPARTMENT OF LABOR</u></b>			
<i>Passed through Area 7 Workforce Investment Board:</i>			
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program (SFY 10) - Admin	2010-7216-1	17.258	57
WIA Adult Program (SFY 11) - Admin	2011-7216-1		2,879
WIA Adult Program (SFY 11) - Admin	2011-7216-1		125
WIA Adult Program (SFY 12) - Admin	2012-7216-1		52,223
WIA Adult Program (SFY 12) - Admin	2012-7216-1		3,833
WIA Adult Program (SFY 13) - Admin	2013-7216-1		33,023
WIA Adult Program (SFY 13) - Admin	2013-7216-1		857
Total WIA - Adult			92,997
WIA Youth Activities (SFY 10) - Admin	2010-7216-1	17.259	398
WIA Youth Activities (SFY 11) - Admin	2011-7216-1		40,751
WIA Youth Activities (SFY 11) - Admin	2011-7216-1		4,215
WIA Youth Activities (SFY 12) - Admin	2012-7216-1		32,172
WIA Youth Activities (SFY 12) - Admin	2012-7216-1		857
Total WIA - Youth			78,393
WIA Dislocated Workers (SFY 11) - Admin	2011-7216-1	17.278	335
WIA Dislocated Workers (SFY 12) - Admin	2012-7216-1		72,190
WIA Dislocated Workers (SFY 12) - Admin	2012-7216-1		3,731
WIA Dislocated Workers (SFY 13) - Admin	2013-7216-1		22,933
WIA Dislocated Workers (SFY 13) - Admin	2013-7216-1		857
Total WIA - Dislocated Workers			100,046
Total Workforce Investment Act Cluster			271,682
WIA Dislocated Workers (SFY 11) - Admin - ARRA	2011-7216-1	17.260	246
Total U.S. Department of Labor			271,682

**COSHOCTON COUNTY**  
**FEDERAL AWARDS EXPENDITURES SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(Continued)**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Direct:</i>			
Airport Improvement Program	3-39-0028-1509,3-39-0028-1610, 3-39-0028-1711, 3-39-0028-1812	20.106	\$ 312,582
<i>Passed through the Ohio Office of Criminal Justice Services:</i>			
State and Community Highway Safety Program	2013-HVEO-0152-00	20.600	1,218
<i>Passed through the Ohio Department of Transportation:</i>			
Highway Planning and Construction	86128 87911 88870	20.205	516,141 502,702 5,611
Total Highway Planning and Construction			<u>1,024,454</u>
Capital Assistance Program for Elderly Persons and Persons with Disabilities	OH-16-X007	20.513	<u>53,180</u>
Total U.S. Department of Transportation			1,391,434
<b><u>APPALACHIAN REGIONAL COMMISSION</u></b>			
<i>Direct:</i>			
Appalachian Area Development	OH-16186-09	23.002	<u>2,400</u>
Total Appalachian Regional Commission			2,400
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed through the Ohio Department of Education:</i>			
Adult Education - Basic Grants to States	ABS1-2012 ABS1-2013	84.002	40,666 <u>33,070</u>
Total Adult Education - Basic Grants to States Program			73,736
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States (IDEA, Part B)	6BSF-2012 6BSF-2013	84.027	22,073 <u>8,203</u>
Total Special Education - Grants to States (IDEA, Part B)			30,276
Special Education - Preschool Grants (IDEA Preschool)	6BSF-2012 6BSF-2013	84.173	7,906 <u>2,945</u>
Total Special Education - Grants to States (IDEA Preschool)			<u>10,851</u>
Total Special Education Cluster (IDEA)			41,127
Total U.S. Department of Education			114,863
<b><u>ELECTION ASSISTANCE COMMISSION</u></b>			
<i>Passed through the Ohio Secretary of State:</i>			
HAVA Title II, 251	N/A	90.401	<u>1,897</u>
Total Election Assistance Commission			1,897
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed through Ohio Department of Aging:</i>			
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	N/A	93.044	18,356
<i>Passed through National Association of County and City Health Officials:</i>			
Medical Reserves Corp Small Grant Program	5MRCSG101005-02	93.008	3,821
<i>Passed through the Ohio Department of Developmental Disabilities:</i>			
Social Services Block Grant	N/A	93.667	37,518
Medical Assistance Program:	N/A	93.778	83,731
<i>Passed through the Ohio Department of Job and Family Services:</i>			
Promoting Safe and Stable Families	G-1213-11-0024	93.556	36,414
Temporary Assistance for Needy Families	G-1213-11-0024	93.558	833,161
Child Support Enforcement	G-1213-11-0024	93.563	655,064
Child Care and Development of Block Grant	G-1213-11-0024	93.575	62,124
Grants to States for Access and Visitation Programs	G-1213-09-0599 / G-1213-09-0270	93.597	28,385
Stephanie Tubbs Jones Child Welfare Services Program	G-1213-11-0024	93.645	19,458
Foster Care Title IV E	G-1213-11-0024	93.658	153,807
Adoption Assistance	G-1213-11-0024	93.659	222,148
Social Services Block Grant	G-1213-11-0024	93.667	404,074
Chafee Foster Care Independence Program	G-1213-11-0024	93.674	6,654
Medical Assistance Program	G-1213-11-0024	93.778	<u>352,088</u>
Total U.S. Department of Health and Human Services			2,916,803

COSHOCKTON COUNTY  
**FEDERAL AWARDS EXPENDITURES SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(Continued)

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<b><u>U.S DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Direct:</i>			
Assistance to Firefighters Grant	EMW-2010-FO-05153	97.044	\$ 2,795
<i>Passed through the Ohio Department of Public Safety:</i>			
Homeland Security Grant Program	2009-SS-T9-0089	97.067	18,000
	2010-SS-T0-0012		30,448
	EMW-2011-SS-00070		<u>2,555</u>
Total Homeland Security Program			51,003
Emergency Management Performance Grants	EMW-2011-EP-00003-S01	97.042	5,480
	EMW-2012-EP-00004-S01		<u>47,989</u>
Total Emergency Management Performance Grants Program			53,469
Total U.S. Department of Homeland Security			<u>107,267</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 5,608,053</u></b>

The accompanying notes are an integral part of this schedule.

**COSHOCTON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the County's federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has not met its matching requirements. The County disburses local funds for the Coshocton County Regional Airport Authority, a component unit of the County, to match Federal Aviation Administration grant amounts. For 2012, the County has not disbursed \$615 due to vendors as part of the local matching requirement. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE C - TRANSFERS BETWEEN FEDERAL PROGRAMS**

During fiscal year 2012, the County made allowable transfers of \$217,627 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$833,161 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2009 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$ 1,050,788
Transfer to Social Services Block Grant	<u>(217,627)</u>
<b>Total Temporary Assistance for Needy Families</b>	<b><u>\$ 833,161</u></b>

**NOTE D - MEDICAL ASSISTANCE PROGRAM CFDA #93.778**

During the calendar year, the County Board of Developmental Disabilities received a settlement for the 2007 Cost Report from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid Program (CFDA #93.778) in the amount of \$84,577. The cost report settlement was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Federal Awards Expenditure Schedule since the underlying expenses occurred in prior reporting periods.

During the calendar year, the County Board of Developmental Disabilities received a refund for eFMAP (ARRA) funds for the Medical Program (CFDA#93.778) in the amount of \$430 from the Ohio Department of Developmental Disabilities. This refund was a correction to the eFMAP percentage for four billing cycles during July and August 2009. This revenue is not listed on the County's Federal Awards Expenditures Schedule since the underlying expenses occurred in prior reporting periods.





# Dave Yost • Auditor of State

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Coshocton County  
349 Main Street  
Coshocton, Ohio 43812

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Coshocton County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 18, 2013, wherein we noted the County adopted the provisions of *Governmental Accounting Standard No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Also, Net Position was restated at January 1, 2012 in the Governmental Activities, as a result of errors identified in reporting infrastructure under the threshold amount. Also, the Coshocton County Regional Airport Authority Fund, Net Position at January 1, 2012 was restated as a result of errors identified in the book balance and errors identified in the reporting of capital assets.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. 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. We consider finding 2012-001 described in the accompanying Schedule of Findings to be a material weakness.

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***Compliance and Other Matters***

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

***Entity's Response to Findings***

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 18, 2013



# Dave Yost • Auditor of State

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Coshocton County  
349 Main Street  
Coshocton, Ohio 43812

To the Board of County Commissioners:

### Compliance

#### ***Report on Compliance for Each Major Federal Program***

We have audited Coshocton County, Ohio's (the County), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Coshocton County's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the County's major federal programs.

#### ***Management's Responsibility***

The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

***Basis for Qualified Opinion on the Airport Improvement Program***

As described in findings 2012-002 and 2012-003 in the accompanying Schedule of Findings, the County did not comply with requirements regarding cash management and special tests and provisions - revenue diversion applicable to its Airport Improvement Program major federal program. Compliance with these requirements is necessary, in our opinion, for the County to comply with requirements applicable to this program.

As described in Findings 2012-002 and 2012-003 in the accompanying Schedule of Findings, the County did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2012-002	20.106	Airport Improvement Program	Cash Management
2012-003	20.106	Airport Improvement Program	Special Tests and Provisions – Revenue Diversion

Compliance with these requirements is necessary, in our opinion, for the County to comply with the requirements applicable to this program.

***Qualified Opinion on Airport Improvement Program***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Airport Improvement Program* paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Airport Improvement Program for the year ended December 31, 2012.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the County complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings for the year ended December 31, 2012.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying Schedule of Findings as item 2012-004. This finding did not require us to modify our compliance opinion on each major federal program.

The County's responses to our noncompliance findings are described in the accompanying Schedule of Findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

***Report on Internal Control Over Compliance***

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a deficiency we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2012-002 through 2012-003 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2012-004 to be a significant deficiency.

The County's responses to our internal control over compliance finding are described in the accompanying Schedule of Findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 18, 2013

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**COSHOCTON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	Yes
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified for all programs except the Cash Management and Special Tests & Provisions compliance sections of the Airport Improvement Program (CFDA #20.106) which were qualified.
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Highway Planning and Construction – CFDA #20.205</li> <li>• Airport Improvement Program – CFDA #20.106</li> <li>• Temporary Assistance for Needy Families – CFDA #93.558</li> <li>• Social Services Block Grant – CFDA #93.667</li> <li>• Medical Assistance Program – CFDA #93.778</li> </ul>	
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

**COSHOCTON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2012**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2012-001**

**Material Weakness**

As a result of audit procedures performed, errors were noted in the County, Hopewell Industries and Coshocton County Regional Airport Authority's financial statements and GAAP conversion that required audit adjustments and reclassifications as follows:

**County:**

- Rent Revenue of \$1,279,575 was misidentified as Other Revenue in the General Fund;
- Property Taxes Levied for Health of \$1,281,428 was misidentified as Property Taxes Levied for Public Safety on the Statement of Activities;
- Capital Grant and Contributions received from OPWC and ODOT for \$1,476,302 were misidentified as Operating Grants and Contributions on the Statement of Activities.

**Hopewell Industries (the Workshop):**

- The Workshop did not report capital assets and liabilities related to two capital leases entered into 2012. As a result, capital assets were understated by \$107,251. Long term liabilities were understated by \$101,580.

**Coshocton County Regional Airport Authority:**

- Prior to conversion to GAAP, cash basis information reported excluded \$20,741 in revenues and expenses related to Federal Aviation Administration grant activity. Expenditures in the General Fund were overstated by \$27,592;
- Revenue from the gain on the sale of assets of \$59,361 was misidentified as Charges for Services;
- Capital Assets Land was understated by \$190,645 which resulted in a restatement;
- Materials and Supplies Inventory of \$42,751 was not identified and reported.

Sound financial reporting is the responsibility of the County Auditor, the Fiscal Officers for Hopewell Industries and Coshocton County Regional Airport Authority, and the respective Boards for each entity and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the financial statements and notes to the financial statements are complete and accurate, the County, and its component units, should adopt policies and procedures, including a final review of the statements and notes by the County Auditor, Fiscal Officers for the Workshop and Airport, and the Board of Commissioners, to identify and correct errors and omissions.

The financial statements have been adjusted accordingly.

**Officials' Response:** County Auditor – The County recognizes the need for sound financial reporting. We will continue to work closely with our GAAP conversion consultants to ensure the financial statements are both complete and accurate and will schedule a meeting or phone conference to review these weaknesses in order to avoid them on future reports. The County will more diligently review the addition of new revenue accounts for proper classification as it relates to GAAP reporting. Information and recommendations will be shared with the Regional Airport Authority and Hopewell Industries, as component units, as well.



**COSHOCTON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2012**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number 2012-001 (Continued)**

**Material Weakness (Continued)**

**Officials' Response (Continued):**

Hopewell Industries – When the auditors brought it to our attention that we did not report the shuttle leases correctly, we took action at that time. We contacted Tesco Transportation LLC to get the amortization schedule so we could make the correcting entries. The auditors gave us the audit adjustments that we needed to post to reflect the capital lease current and long term. The auditor also spoke to the CPA that was currently working on our 2012 990 in order to make the adjustments so the financial statements were correct. Going forward, we know we need to report any future shuttle leases as a capital lease.

Airport – Capital Assets – Our listing of capital assets has been updated and is being reviewed for accuracy and correct information. Will be reviewed during the November 2013 board meeting and approved by the December 2013 regular Board Meeting. Material and Supplies Inventory – Fuel logs have been created and are maintained by the airport administrator and are reconciled monthly with the Treasurer's reports. Any discrepancies are found and corrected. Fuel tracking will continue to be monitored.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

<b>Finding Number</b>	2012-002
<b>CFDA Title and Number</b>	Airport Improvement Program – CFDA #20.106
<b>Federal Award Number/Year</b>	3-39-0028-1509; 3-39-0028-1610; 3-39-0028-1711; 3-39-0028-1812
<b>Federal Agency</b>	U.S. Department of Transportation
<b>Pass-Through Agency</b>	N/A

**Noncompliance and Material Weakness – Cash Management**

49 C.F.R. Section 18.20(b)(7) requires procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub-grantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on sub-grantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.

The Coshocton County Regional Airport Authority (Airport) received an advance payment of \$105,271 on October 29, 2012 by electronic funds transfer. However, the Airport had not expended \$89,913 of this advance as of December 31, 2012, 63 days after the receipt of funds. The \$89,913 was expended on January 20, 2013, 83 days after initial receipt of these funds. While the Airport had not established procedures to minimize the time between drawdown and disbursement, an expenditure of funds 83 days after receipt was not reasonably close to the date of the draw.

**COSHOCTON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2012**  
**(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**Finding Number 2012-002 (Continued)**

**Noncompliance and Material Weakness – 49 C.F.R. Section 18.20(b)(7) (Continued)**

The Airport should establish procedures to minimize the time between drawdown and the subsequent disbursement of amounts received. This will help ensure the Airport complies with Federal cash management requirements.

**Officials’ Response:** See Corrective Action Plan.

<b>Finding Number</b>	2012-003
<b>CFDA Title and Number</b>	Airport Improvement Program – CFDA #20.106
<b>Federal Award Number/Year</b>	3-39-0028-1509; 3-39-0028-1610; 3-39-0028-1711; 3-39-0028-1812
<b>Federal Agency</b>	U.S. Department of Transportation
<b>Pass-Through Agency</b>	N/A

**Noncompliance and Material Weakness – Special Tests and Provisions**

64 C.F.R. 7696, Section VI, Paragraph B(1) documents that prohibited uses of airport revenue include, but are not limited to, direct or indirect payments that exceed the fair and reasonable value of those services and facilities provided to the airport. The FAA generally considers the cost of providing the services or facilities to the airport as a reliable indicator of value. During 2012, the Coshocton County Regional Airport Authority (Airport) paid a vendor \$70,981 for outstanding construction work with invoice dates of June 17, 2011 and September 3, 2011.

The Airport was provided with outstanding invoice documentation which indicated \$71,173 was actually due and appears to have underpaid the vendor by \$192. However, the Coshocton County Commissioners had previously paid \$1,234 against one of the outstanding invoices as part of an agreement between the Commissioners and Airport in 2011. The actual amount due to the vendor was \$69,939. Therefore, the payment of \$70,981 made in 2012 exceeded the actual amount due by \$1,042.

The vendor was paid from a project that was to be Federally funded at 95% with a local matching percentage of 5%. However, the \$70,981 payment was initially funded through non-federal funds. The overpayment occurred as Coshocton County paid the local match of the grant on behalf of the Airport and as the Airport does not have a system in place to fully track all invoices received, payments to be made from federal funds and the local match paid by the County. As a result, there was an increased risk that the Airport, or Coshocton County, could over or underpay vendors for services. There was also an increased risk of Federal funds being misspent that could result in questioned costs.

The Airport should contact the vendor to determine if they can be reimbursed for the excess payment made. The Airport should also implement a system to track all grant related invoices received as well as payments made from federal funds or County non-federal funds. This will help ensure the Airport identifies amounts due and the proper funding sources to be used to make payments. This will also help reduce the risk of the Airport or Coshocton County over or underpaying vendors as well as reduced the risk of the Airport expending federal funds for unallowable purposes.

**Official’s Response:** See Corrective Action Plan.

**COSHOCTON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2012**  
**(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2012-004
<b>CFDA Title and Number</b>	Airport Improvement Program – CFDA #20.106
<b>Federal Award Number/Year</b>	3-39-0028-1509; 3-39-0028-1610; 3-39-0028-1711; 3-39-0028-1812
<b>Federal Agency</b>	U.S. Department of Transportation
<b>Pass-Through Agency</b>	N/A

**Noncompliance and Significant Deficiency – Procurement and Debarment**

49 CFR 18.36(c)(1) requires that all procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of Sec. 18.36. 49 CFR 18.36(d) documents the four ways procurement can be performed: 1. Small Purchase Procedures, 2. Procurement by Sealed Bids, 3. Procurement by Competitive Proposals, and 4. Procurement by Noncompetitive Proposals. Specific requirements are documented with 49 CFR 18.36(d). Additionally, the selection of architects and engineering services must comply with Title IX of the Federal Property Administration Services Act of 1949, more commonly referred to as the Brooks Act. Under the Brooks Act, qualification-based selection procedures are to be used for selection of a consulting firm. Fees for services are negotiated after the selection is made. Selections based on cost proposals are not permitted if Airport Improvement Program (AIP) participation in the cost of consultant services is desired.

The Coshocton County Regional Airport Authority (Airport) contracted with Yager Consultants (which became a part of General Aviation Consultants) to perform engineering and consulting services in relation to AIP grant projects. The Airport last approved the ongoing service contract with Yager Consultants in 2011. However, procurement was not performed providing full and open competition or under the Brooks Act.

The Airport should review procurement requirements under the Brooks Act and 49 CFR 18.36 and utilize the requirements when procuring vendors to be paid with Federal funding. They should adopt formal procurement policies that confirm with these requirements. All procurement should be in a manner providing open competition and only qualified vendors should be awarded contracts.

**Officials' Response:** See Corrective Action Plan.

**COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2011-001	Ohio Revised Code Section 149.43(B)(1) and (B)(2)	Yes	
2011-002	Finding for Recovery - Ohio Rev. Code Section 2921.41 (A) (1) and (2)	Yes	
2011-003	Airport Bank Reconciliation – numerous errors were identified on the December 31, 2011 bank to book reconciliation	Yes	
2011-004	Financial Reporting – numerous errors were identified on the County’s financial statements	No	Repeat. See Schedule of Findings 2012-001
2011-005	Office of Management and Budget (OMB) Circular A-133, Section .310 (b) – errors and omissions were noted on the Federal Awards Expenditure Schedule	Yes	
2011-006	2 CFR Part 225 Section 37.c of Appendix B - CCJFS paid \$12,350 more than allowed on the rental of the building.	Yes	
2011-007	2 CFR Part 225, Section C - CCJFS allocated \$8,846 more to TANF and \$20,486 to various other IM cost pool programs (including Medicaid and SNAP) that was not appropriate.	No	Question cost amount did not exceed \$10,000. See Management Letter.

**COSHOCTON COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315(c)  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-002	Policy is being developed and will be reviewed by the Board at the October 2013 and November 2013 Board Meeting with approval by the December 2013 regular Board Meeting that will establish the standards for draw down of federal funds for projects that have been awarded the airport for improvements. Prior to grant approval to the federal government, we will collaborate with the Coshocton County Commissioners Office for accuracy and for proper grant approval monies. Implementation will be effective January 1, 2014.	January 2014	Scott Limburg, Treasurer
2012-003	Records will be reviewed and discussion/action will be taken on or before the December 2013 regular Board Meeting. The State Auditors notes as well as the detailed invoices for the project. This information will be provided to the Board by the November 2013 meeting. Recommended action will take place at the December 2013 meeting. Any further grants will be administered according to the federal standards that are in place. The treasurer will assume a more active role in administering all federal, state and local grants.	December 2013	Scott Limburg, Treasurer
2012-004	A procurement procedure policy will be adopted. Review of this policy will be at the November 2013 meeting and will be approved at the December 2013 regular meeting. The procedure policy will be in effect January 2014. The procurement procedure policy will be followed for contracts not requiring bidding. The treasurer will make contact with the necessary entities to ensure completeness and compliance with all federal, state and local grants.	January 2014	Scott Limburg, Treasurer

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# Dave Yost • Auditor of State

## COSHOCTON COUNTY FINANCIAL CONDITION

### COSHOCTON 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  
OCTOBER 1, 2013