

Hocking County Financial Condition

Hocking County

Single Audit

January 1, 2004 Through December 31, 2004

Fiscal Year Audited Under GAGAS: 2004

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**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of Hocking County prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 18, 2005

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**Hocking County Financial Condition
Basic Financial Statements
For the Year Ended December 31, 2004**

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**Hocking County Financial Condition
Basic Financial Statements
For the Year Ended December 31, 2004**

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To the Offices, Boards and
Commissioners of Hocking County
1 East Main Street
Logan, Ohio 43138

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hocking County, Ohio (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the County's discretely presented component units, Hocking Valley Industries, Inc. and the Hocking Valley Community Hospital. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for Hocking Valley Industries, Inc. and Hocking Valley Community Hospital, is based solely on the reports of the other auditors.

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

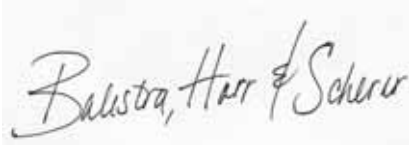
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund, Motor Vehicle Gas Tax fund, Human Services fund, Mentally Retarded & Developmentally Disabled fund and the Emergency Medical Services fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2005, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Offices, Boards and
Commissioners of Hocking County
Independent Auditor's Report
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The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of 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 not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

June 20, 2005

Hocking County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The discussion and analysis of Hocking County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

Overall:

Total net assets increased \$4,119,658 virtually all in Governmental Activities.

Total revenue was \$25,390,267 in 2004.

Total program expenses were \$21,270,609 in 2004.

Long term debt and other obligations increased to \$2,526,016 in 2004 from \$2,513,543 in 2003. The increase is primarily due to the issuance of a \$175,000 long-term note during 2004 which was partially offset by debt service payments during 2004.

Governmental Activities:

Liabilities decreased \$32,376 from 2003, while total assets increased by \$4,058,322.

Total revenue was \$25,085,070 in 2004, while program expenses were \$20,994,372.

Program expenses were primarily composed of Human Services, Health, Public Safety, Public Works, and Legislative and Executive where expenses were \$7,087,531; \$3,152,796; \$3,029,040; \$2,632,772; and \$2,581,996 respectively in 2004.

Business-Type Activities:

Program revenues were \$305,197 for Business-Type Activities, while corresponding expenses were \$276,237. The decrease of \$8,770 in capital assets is due to the completion of construction of new collection systems net of depreciation expense of \$59,119.

Using these Basic Financial Statements

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

- The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of Hocking County, the General Fund, the Motor Vehicle Gas Tax Fund, the Human Services Fund, the Mentally Retarded & Developmentally Disabled Fund, and the Emergency Medical Services Fund are the major funds for the County.

Hocking County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the County as a whole, the *financial position* of the County has improved. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required or mandated programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the County is divided into two distinct kinds of activities:

- Governmental Activities – Most of the County's programs and services are reported here including general government (legislative & executive and judicial), public safety, public works, health, human services, economic development and assistance, conservation and recreation and miscellaneous.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The County's wastewater treatment operations are reported as business activities.

Reporting the County's Most Significant Funds

Fund Financial Statements

The analysis of the County's major funds begins on page 8. Fund financial 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, the Motor Vehicle Gas Tax Fund, the Human Services Fund, the Mentally Retarded & Developmentally Disabled Fund, and the Emergency Medical Services Fund.

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

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

Hocking County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The County as a Whole

Recall that the Statement of Net Assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2004 compared to the prior year:

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<i>Assets</i>						
Current & Other Assets	\$ 17,666,538	\$ 16,478,165	\$ 93,409	\$ 69,425	\$ 17,759,947	\$ 16,547,590
Capital Assets	<u>7,945,423</u>	<u>5,075,474</u>	<u>1,657,754</u>	<u>1,666,524</u>	<u>9,603,177</u>	<u>6,741,998</u>
<i>Total Assets</i>	25,611,961	21,553,639	1,751,163	1,735,949	27,363,124	23,289,588
<i>Liabilities</i>						
Long-Term Liabilities	2,009,674	1,990,001	516,342	523,542	2,526,016	2,513,543
Other Liabilities	<u>5,026,956</u>	<u>5,079,005</u>	<u>1,079</u>	<u>7,625</u>	<u>5,028,035</u>	<u>5,086,630</u>
<i>Total Liabilities</i>	7,036,630	7,069,006	517,421	531,167	7,554,051	7,600,173
<i>Net Assets</i>						
Invested in Capital Assets						
Net of Debt	6,706,789	4,143,066	1,142,254	1,138,252	7,849,043	5,281,318
Restricted	9,652,336	8,678,860	-	-	9,652,336	8,678,860
Unrestricted	<u>2,216,206</u>	<u>1,662,707</u>	<u>91,488</u>	<u>66,530</u>	<u>2,307,694</u>	<u>1,729,237</u>
<i>Total Net Assets</i>	<u>\$ 18,575,331</u>	<u>\$ 14,484,633</u>	<u>\$ 1,233,742</u>	<u>\$ 1,204,782</u>	<u>\$ 19,809,073</u>	<u>\$ 15,689,415</u>

Total assets increased by \$4,073,536. The primary reason for the total assets increase related to capital assets. Capital assets increased by \$2,861,179 from 2003 to 2004. The increase was in the Governmental Activities capital assets which increased \$2,869,949 primarily due to infrastructure improvements while the Business-Type Activity decreased primarily due to depreciation expense exceeding asset additions due to the completion of the construction of the collection system. Intergovernmental Receivables also increased by \$968,978 from 2003 to 2004. These increases were offset by decreases in Cash by \$153,491 from 2003 to 2004.

Hocking County
Management's Discussion and Analysis
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Table 2
Changes In Net Assets

	2004			2003		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities*	Business-Type Activities	Total
Revenues						
<i>Program Revenues:</i>						
Charges For Services and Sales	\$ 2,399,249	\$ 107,197	\$ 2,506,446	\$ 2,550,435	\$ 108,129	\$ 2,658,564
Operating Grants and Contributions	11,664,854	-	11,664,854	9,733,287	-	9,733,287
Capital Grants and Contributions	2,129,039	198,000	2,327,039	1,587,915	100,000	1,687,915
Total Program Revenues	16,193,142	305,197	16,498,339	13,871,637	208,129	14,079,766
<i>General Revenue:</i>						
Property Taxes	4,052,555	-	4,052,555	3,789,836	-	3,789,836
Sales Taxes	2,724,227	-	2,724,227	3,164,485	-	3,164,485
Grants and Entitlements	1,151,048	-	1,151,048	719,111	-	719,111
Contributions and Donations	19,962	-	19,962	-	-	-
Rent	8,375	-	8,375	-	-	-
Investment Earnings	114,960	-	114,960	110,098	-	110,098
Other	820,801	-	820,801	616,013	-	616,013
Total General Revenues	8,891,928	-	8,891,928	8,399,543	-	8,399,543
Total Revenues	25,085,070	305,197	25,390,267	22,271,180	208,129	22,479,309
<i>Program Expenses</i>						
General Government:						
Legislative and Executive	2,581,996	-	2,581,996	2,347,671	-	2,347,671
Judicial	1,587,545	-	1,587,545	1,439,283	-	1,439,283
Public Safety	3,029,040	-	3,029,040	2,874,922	-	2,874,922
Public Works	2,632,772	-	2,632,772	2,590,961	-	2,590,961
Health	3,152,796	-	3,152,796	3,031,239	-	3,031,239
Human Services	7,087,531	-	7,087,531	7,375,166	-	7,375,166
Economic Development and Assistance	582,567	-	582,567	379,905	-	379,905
Conservation and Recreation	208,698	-	208,698	215,362	-	215,362
Miscellaneous	72,993	-	72,993	628,015	-	628,015
Interest and Fiscal Changes	58,434	-	58,434	77,401	-	77,401
Wastewater Treatment	-	276,237	276,237	-	176,670	176,670
Total Expenses	20,994,372	276,237	21,270,609	20,959,925	176,670	21,136,595
Increase in Net Assets Before Special Item	4,090,698	28,960	4,119,658	1,311,255	31,459	1,342,714
<i>Special Item - Loss on Sale of Facilities</i>	-	-	-	-	(331,385)	(331,385)
Increase (Decrease) in Net Assets	4,090,698	28,960	4,119,658	1,311,255	(299,926)	1,011,329
Net Assets - Beginning of Year	14,484,633	1,204,782	15,689,415	13,173,378	1,504,708	14,678,086
Net Assets - End of Year	\$ 18,575,331	\$ 1,233,742	\$ 19,809,073	\$ 14,484,633	\$ 1,204,782	\$ 15,689,415

*Restated - See Note 4

Table 2 shows the changes in net assets for fiscal year 2004 and 2003.

Hocking County
Management's Discussion and Analysis
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The County receives diverse types of revenues to provide for the vast number of programs provided by the County. Operating grants and contributions provide almost 47% of total revenues for governmental activities. Property taxes and sales taxes provide 16% and 11% of total revenues for governmental activities.

Human services expenses comprise 34% of total expenses for governmental activities. Health, Public Safety, Public Works, and General Government Legislative & Executive comprise 15%, 14%, 13% and 12% respectively of total expenses for governmental activities.

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

Table 3

	Total Cost of Program Services Governmental Activities			
	2004		2003	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government				
Legislative and Executive	\$ 2,581,996	\$ (1,608,150)	\$ 2,347,671	\$ (1,799,116)
Judicial	1,587,545	(723,568)	1,439,283	(742,835)
Public Safety	3,029,040	(1,563,521)	2,874,922	(1,888,305)
Public Works	2,632,772	1,957,630	2,590,961	1,927,560
Health	3,152,796	(736,850)	3,031,239	(2,124,357)
Human Services	7,087,531	(1,764,708)	7,375,166	(1,645,902)
Economic Development				
and Assistance	582,567	(156,144)	379,905	(60,875)
Conservation & Recreation	208,698	(169,097)	215,362	(176,598)
Miscellaneous	72,993	(59,133)	628,015	(512,717)
Interest and Fiscal Charges	58,434	22,311	77,401	(65,143)
Total Expenses	\$ 20,994,372	\$ (4,801,230)	\$ 20,959,925	\$ (7,088,288)

Over 77 percent of county governmental activities are supported through program revenues.

Hocking County
Management's Discussion and Analysis
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Business-Type Activities

Business-type activities include wastewater treatment.

Overall net assets increased \$28,960 from 2003 to 2004. Capital contributions-intergovernmental accounted for \$198,000 of total revenues of \$305,197.

The County's Funds

Information about the County's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$24,291,640 and expenditures of \$24,059,578. The net change in fund balance for the year was most significant in the General Fund, where the General Fund balance went from \$1,806,780 in 2003 to \$2,035,833 for 2004. This change was due in part to inception of capital lease of \$39,930. The Human Services Fund experienced a decline in fund balance of \$39,857 primarily due to intergovernmental revenue declines.

Major Fund Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the General Fund, the Motor Vehicle and Gas Tax Fund, the Human Services Fund, the Mentally Retarded and Developmentally Disabled (MR/DD) Fund and the Emergency Medical Services Fund.

During the course of fiscal year 2004 the County amended its general fund budget numerous times, none significant.

For the General Fund, budget basis revenue was \$5,893,529, above original budget estimates of \$5,586,350. Of this \$307,179 difference, tax revenue was \$274,950 above original estimates, charges for services was \$45,487 below original estimates, other revenue was \$77,290 above original estimates, and various revenue categories made up the remaining difference.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$5,830,930, \$62,599 below revenues.

For the Motor Vehicle and Gas Tax Fund, budget basis revenue was \$3,462,816, below original budget estimates of \$3,535,502. Of this \$72,686 difference, intergovernmental was \$73,791 below original estimates, and various other revenue categories made up the difference.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$3,414,040, \$48,776 below revenues.

For the Human Services Fund, budget basis revenue was \$3,828,682, under original budget estimates of \$4,746,000. Of this \$917,318 difference, intergovernmental revenue was \$928,787 under original estimates, and other revenue made up the difference.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$3,883,357, \$54,675 above revenues.

For the MR/DD Fund, budget basis revenue was \$1,659,339, below original budget estimates of \$1,715,349. Of this \$56,010 difference, intergovernmental revenue was \$127,981 below original estimates, and various other revenue categories made up the difference.

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Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$1,716,001, \$56,662 above revenues.

For the Emergency Medical Services Fund, budget basis revenue was \$1,358,673, above original budget estimates of \$1,225,000. Of this \$133,673 difference, tax revenue was \$73,264 above original estimates, and various other revenue categories made up the difference.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$1,382,544, \$23,871 above revenues.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004 the County had \$9,603,177 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure, and construction in progress, \$7,945,423 in governmental activities. Additional information regarding capital assets is shown in Note 9 to the Basic Financial Statements. Tables 4.1 and 4.2 show fiscal 2004 and 2003 balances by Governmental Activity and Business-Type Activity:

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

	<u>2004</u>	<u>2003</u>
Land	\$ 350,069	\$ 350,069
Land Improvements	46,307	49,707
Buildings & Improvements	918,713	566,487
Machinery and Equipment	728,312	814,655
Vehicles	1,131,661	1,300,323
Infrastructure	4,335,564	1,760,735
Construction in Progress	<u>434,797</u>	<u>233,498</u>
Total	<u>\$ 7,945,423</u>	<u>\$ 5,075,474</u>

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

	<u>2004</u>	<u>2003</u>
Land	\$ 29,000	\$ 29,000
Wastewater Treatment Plants	189,873	200,510
Collection System	1,434,481	1,266,879
Vehicles	4,400	6,600
Construction in Progress	<u>-</u>	<u>163,535</u>
Total	<u>\$ 1,657,754</u>	<u>\$ 1,666,524</u>

Hocking County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Debt

At December 31, 2004 the County had \$1,591,796 in bonds and long-term notes, \$92,352 due within one year.

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

Table 5
 Outstanding Debt At December 31
 Governmental Activities

	<u>2004</u>		<u>2003</u>
General Obligation Bonds	\$ 490,000	\$	535,000
Long Term Notes	518,206		368,075
Special Assessment Bonds	<u>68,090</u>	<u></u>	<u>76,190</u>
Total	<u>\$ 1,076,296</u>	<u>\$</u>	<u>979,265</u>

Table 6
 Outstanding Debt At December 31
 Business Type Activity

	<u>2004</u>		<u>2003</u>
Revenue Bonds	<u>\$ 515,500</u>	<u>\$</u>	<u>522,700</u>

During fiscal year 2004, the County issued \$175,000 in long-term notes for the purchase of the Columbia Gas Building. All General Obligation Bonds, Long-term Notes and Special Assessment Bonds outstanding are general obligations of the County for which the full faith and credit of the County is pledged for repayment. For additional information regarding bonds and long-term notes payable please see Note 15 to the Basic Financial Statements.

Hocking County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
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Capital Lease Obligations

During fiscal year 2004, the County entered into one capital lease agreement for a Sheriff's Department Ford Crown Victoria. The leased vehicle will be paid from the General Fund. The lease agreement runs through the fiscal year ending 2006 and is recorded as obligations under capital leases in the accompanying financial statements. The County had previous capital leases, which are being paid for out of both the General Fund (Governmental Activities) and the Motor Vehicle Gas Tax Fund (Governmental Activities). The total capital lease obligations outstanding as of December 31, 2004 were \$162,338. Of this balance \$100,271 in the Governmental Activities was due within one year.

Current Financial Related Activities

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

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

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

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information contact Kenneth R. Wilson, County Auditor at Hocking County, 1 East Main Street, Logan, Ohio 43138, phone at (740) 385-2127, or e-mail at kwilson@co.hocking.oh.us.

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Hocking County
Statement of Net Assets
As of December 31, 2004

	Component Units				
	Governmental Activities	Business-Type Activities	Total	Hospital	Adult Activities Workshop
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$8,055,116	\$79,032	\$8,134,148	\$601,101	\$100,900
Investments in Segregated Accounts	-	-	-	620,863	-
Receivables					
Taxes	5,095,281	-	5,095,281	-	-
Accounts	124,087	14,377	138,464	5,457,634	-
Special Assessments	84,190	-	84,190	-	-
Intergovernmental	4,068,575	-	4,068,575	-	-
Materials and Supplies Inventory	239,289	-	239,289	212,131	8,003
Prepaid Items	-	-	-	16,490	-
Asset whose use is limited:					
Under bond indenture agreement	-	-	-	330,000	-
Unamortized Financing Costs	-	-	-	78,465	-
Nondepreciable Capital Assets	784,866	29,000	813,866	-	-
Depreciable Capital Assets, Net	7,160,557	1,628,754	8,789,311	9,890,999	45,346
<i>Total Assets</i>	<u>25,611,961</u>	<u>1,751,163</u>	<u>27,363,124</u>	<u>17,207,683</u>	<u>154,249</u>
Liabilities					
Accounts Payable	228,499	-	228,499	1,470,533	5,176
Accrued Wages and Benefits	172,924	1,079	174,003	1,368,788	-
Third Party Settlements	-	-	-	91,565	-
Intergovernmental Payable	139,474	-	139,474	-	-
Deferred Revenue	4,486,059	-	4,486,059	-	-
Long-Term Liabilities:					
Due Within One Year	228,708	7,600	236,308	726,382	-
Due In More Than One Year	1,780,966	508,742	2,289,708	3,622,325	-
<i>Total Liabilities</i>	<u>7,036,630</u>	<u>517,421</u>	<u>7,554,051</u>	<u>7,279,593</u>	<u>5,176</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	6,706,789	1,142,254	7,849,043	5,542,292	45,346
Restricted for:					
Debt Service	108,680	-	108,680	-	-
Capital Projects	276,229	-	276,229	-	-
Other Purposes	9,267,427	-	9,267,427	330,000	-
Unrestricted	2,216,206	91,488	2,307,694	4,055,798	103,727
<i>Total Net Assets</i>	<u>\$18,575,331</u>	<u>\$1,233,742</u>	<u>\$19,809,073</u>	<u>\$9,928,090</u>	<u>\$149,073</u>

See accompanying notes to the basic financial statements.

Hocking County
Statement of Activities
For the Year Ended December 31, 2004

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	\$ 2,581,996	\$ 378,941	\$ 594,905	\$ -
Judicial	1,587,545	665,676	198,301	-
Public Safety	3,029,040	357,364	1,108,155	-
Public Works	2,632,772	186,729	2,274,634	2,129,039
Health	3,152,796	187,971	2,227,975	-
Human Services	7,087,531	446,877	4,875,946	-
Economic Development and Assistance	582,567	41,485	384,938	-
Conservation and Recreation	208,698	39,601	-	-
Miscellaneous	72,993	13,860	-	-
Interest and Fiscal Charges	58,434	80,745	-	-
<i>Total Governmental Activities</i>	<u>20,994,372</u>	<u>2,399,249</u>	<u>11,664,854</u>	<u>2,129,039</u>
Business-Type Activity				
Wastewater Treatment	276,237	107,197	-	198,000
<i>Total Business-Type Activity</i>	<u>276,237</u>	<u>107,197</u>	<u>-</u>	<u>198,000</u>
<i>Total Primary Government</i>	<u>21,270,609</u>	<u>2,506,446</u>	<u>11,664,854</u>	<u>2,327,039</u>
Component Units				
Hospital	25,779,503	26,205,371	-	-
Adult Activities Workshop	1,053,039	661,318	357,904	-
<i>Total Component Units</i>	<u>\$ 26,832,542</u>	<u>\$ 26,866,689</u>	<u>\$ 357,904</u>	<u>\$ -</u>

General Revenues

Property Taxes Levied for:
 General Purposes
 Other Purposes
Sales Taxes Levied for:
 General Purposes
 Other Purposes
Grants and Entitlements not Restricted to Specific Programs
Contributions and Donations
Investment Earnings
Rent
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year (As Restated, See Note 4)

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Governmental Activities	Business-Type Activities	Total	Component Units	
			Hospital	Adult Activities Workshop
\$ (1,608,150)	\$ -	\$ (1,608,150)	\$ -	\$ -
(723,568)	-	(723,568)	-	-
(1,563,521)	-	(1,563,521)	-	-
1,957,630	-	1,957,630	-	-
(736,850)	-	(736,850)	-	-
(1,764,708)	-	(1,764,708)	-	-
(156,144)	-	(156,144)	-	-
(169,097)	-	(169,097)	-	-
(59,133)	-	(59,133)	-	-
22,311	-	22,311	-	-
(4,801,230)	-	(4,801,230)	-	-
-	28,960	28,960	-	-
-	28,960	28,960	-	-
(4,801,230)	28,960	(4,772,270)	-	-
			425,868	-
			-	(33,817)
			425,868	(33,817)
1,231,642	-	1,231,642	-	-
2,820,913	-	2,820,913	-	-
2,178,128	-	2,178,128	-	-
546,099	-	546,099	-	-
1,151,048	-	1,151,048	-	-
19,962	-	19,962	-	-
114,960	-	114,960	-	-
8,375	-	8,375	-	-
820,801	-	820,801	-	-
8,891,928	-	8,891,928	-	-
4,090,698	28,960	4,119,658	425,868	(33,817)
14,484,633	1,204,782	15,689,415	9,502,222	182,890
\$ 18,575,331	\$ 1,233,742	\$ 19,809,073	\$ 9,928,090	\$ 149,073

Hocking County
Balance Sheet
Governmental Funds
December 31, 2004

	General	Motor Vehicle Gas Tax	Human Services	Mentally Retarded & Developmentally Disabled	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$ 1,593,458	\$ 574,694	\$ 475,158	\$ 1,455,906	\$ 869,074	\$ 3,086,826	\$ 8,055,116
Receivables:							
Taxes	2,268,968	-	-	1,349,676	1,142,566	334,071	5,095,281
Accounts	28,647	1,870	-	-	66,047	27,523	124,087
Intergovernmental	405,219	1,568,501	1,612,749	92,291	60,000	329,815	4,068,575
Special Assessments	-	-	-	-	-	84,190	84,190
Due from Other Funds	11,240	1,208	-	-	-	60,297	72,745
Materials and Supplies Inventory	-	239,289	-	-	-	-	239,289
Interfund Receivable	1,491	-	-	-	-	-	1,491
<i>Total Assets</i>	<u>\$ 4,309,023</u>	<u>\$ 2,385,562</u>	<u>\$ 2,087,907</u>	<u>\$ 2,897,873</u>	<u>\$ 2,137,687</u>	<u>\$ 3,922,722</u>	<u>\$ 17,740,774</u>
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	\$ 19,739	\$ 35,757	\$ 72,441	\$ -	\$ 1,223	\$ 99,339	\$ 228,499
Accrued Wages and Benefits Payable	56,367	17,468	24,215	21,832	19,610	33,433	172,925
Due to Other Funds	2,033	-	38,578	1,208	-	30,926	72,745
Intergovernmental Payable	26,722	13,296	17,193	16,325	12,221	53,717	139,474
Deferred Revenue	2,168,329	1,213,488	1,199,447	1,423,176	1,202,566	354,898	7,561,904
Interfund Payable	-	-	-	-	-	1,491	1,491
<i>Total Liabilities</i>	<u>2,273,190</u>	<u>1,280,009</u>	<u>1,351,874</u>	<u>1,462,541</u>	<u>1,235,620</u>	<u>573,804</u>	<u>8,177,038</u>
Fund Balances							
Reserved for Encumbrances	16,179	33,588	60,661	25,548	22,991	250,315	409,282
Unreserved, Undesignated, Reported in:							
General Fund	2,019,654	-	-	-	-	-	2,019,654
Special Revenue Funds	-	1,071,965	675,372	1,409,784	879,076	2,721,894	6,758,091
Debt Service Funds	-	-	-	-	-	108,680	108,680
Capital Projects Funds	-	-	-	-	-	268,029	268,029
<i>Total Fund Balances</i>	<u>2,035,833</u>	<u>1,105,553</u>	<u>736,033</u>	<u>1,435,332</u>	<u>902,067</u>	<u>3,348,918</u>	<u>9,563,736</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 4,309,023</u>	<u>\$ 2,385,562</u>	<u>\$ 2,087,907</u>	<u>\$ 2,897,873</u>	<u>\$ 2,137,687</u>	<u>\$ 3,922,722</u>	<u>\$ 17,740,774</u>

See accompanying notes to the basic financial statements

Hocking County
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2004*

Total Governmental Fund Balances \$ 9,563,736

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 7,945,423

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes	234,830	
Intergovernmental	2,841,016	

Total		3,075,846
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Long-Term Liabilities, including bonds, capital lease obligations, notes, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(771,040)	
Long Term Notes	(518,206)	
General Obligation Bonds	(490,000)	
Special Assessment Bonds	(68,090)	
Capital Lease Obligations	(162,338)	

Total		(2,009,674)
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Net Assets of Governmental Activities **\$ 18,575,331**

See accompanying notes to the basic financial statements.

Hocking County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Motor Vehicle and Gas Tax	Human Services	Mentally Retarded & Developmentally Disabled	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 3,630,216	\$ -	\$ -	\$ 1,135,325	\$ 984,264	\$ 1,383,342	\$ 7,133,147
Intergovernmental	867,467	3,005,060	3,225,989	445,659	129,877	6,114,529	13,788,581
Charges for Services	987,452	141,565	153	-	293,125	430,528	1,852,823
Fees, License and Permits	2,575	-	-	-	-	68,253	70,828
Fines and Forfeitures	154,017	31,102	-	-	-	216,299	401,418
Special Assessments	-	-	-	-	-	8,387	8,387
Interest	109,266	2,894	-	-	-	2,800	114,960
Rent	-	-	-	-	-	8,375	8,375
Contributions and Donations	-	-	-	-	-	19,962	19,962
Miscellaneous	140,790	286,085	219,974	66,519	-	179,791	893,159
<i>Total Revenues</i>	<u>5,891,783</u>	<u>3,466,706</u>	<u>3,446,116</u>	<u>1,647,503</u>	<u>1,407,266</u>	<u>8,432,266</u>	<u>24,291,640</u>
Expenditures							
Current:							
General Government:							
Legislative and Executive	1,728,496	-	-	-	-	811,051	2,539,547
Judicial	1,296,063	-	-	-	-	267,181	1,563,244
Public Safety	1,407,957	-	-	-	-	1,527,876	2,935,833
Public Works	33,600	3,152,042	-	-	-	792,228	3,977,870
Health	57,777	-	-	1,639,965	1,315,770	117,412	3,130,924
Human Services	307,364	-	3,603,717	-	-	3,163,662	7,074,743
Conservation and Recreation	207,992	-	-	-	-	-	207,992
Economic Development and Assistance	68,197	-	-	-	-	525,128	593,325
Other	55,104	-	-	-	-	-	55,104
Capital Outlay	-	-	-	-	-	1,722,493	1,722,493
Intergovernmental	17,398	-	-	-	-	491	17,889
Debt Service:							
Principal	33,043	84,685	-	-	-	62,252	179,980
Interest and Fiscal Charges	2,907	17,071	-	-	-	40,656	60,634
<i>Total Expenditures</i>	<u>5,215,898</u>	<u>3,253,798</u>	<u>3,603,717</u>	<u>1,639,965</u>	<u>1,315,770</u>	<u>9,030,430</u>	<u>24,059,578</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>675,885</u>	<u>212,908</u>	<u>(157,601)</u>	<u>7,538</u>	<u>91,496</u>	<u>(598,164)</u>	<u>232,062</u>
Other Financing Sources							
Proceeds from Notes	-	-	-	-	-	175,000	175,000
Inception of Capital Lease	39,930	-	-	-	-	-	39,930
Transfers In	-	-	117,744	-	-	369,018	486,762
Transfers Out	(486,762)	-	-	-	-	-	(486,762)
<i>Total Other Financing Sources</i>	<u>(446,832)</u>	<u>-</u>	<u>117,744</u>	<u>-</u>	<u>-</u>	<u>544,018</u>	<u>214,930</u>
<i>Net Changes in Fund Balances</i>	<u>229,053</u>	<u>212,908</u>	<u>(39,857)</u>	<u>7,538</u>	<u>91,496</u>	<u>(54,146)</u>	<u>446,992</u>
<i>Fund Balances Beginning of Year</i>	<u>1,806,780</u>	<u>892,645</u>	<u>775,890</u>	<u>1,427,794</u>	<u>810,571</u>	<u>3,403,064</u>	<u>9,116,744</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,035,833</u>	<u>\$ 1,105,553</u>	<u>\$ 736,033</u>	<u>\$ 1,435,332</u>	<u>\$ 902,067</u>	<u>\$ 3,348,918</u>	<u>\$ 9,563,736</u>

See accompanying notes to the basic financial statements.

Hocking County
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004*

Net Change in Fund Balances - Total Governmental Funds \$ 446,992

**Amounts reported for governmental activities in the
statement of activities are different because:**

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Asset Additions	3,711,667	
Current Year Depreciation	(822,157)	
Total	2,889,510	2,889,510

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.

Loss on Disposal of Capital Assets	(19,561)	
Total	(19,561)	(19,561)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	(3,562)	
Intergovernmental	796,992	
Total	793,430	793,430

Proceeds from the issuance of long-term notes in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.

(175,000)

Repayment of bond principal and long term notes principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

77,969

Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

102,011

New capital lease obligations in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.

(39,930)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in Compensated Absences	15,277	
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Total	15,277	
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Net Change in Net Assets of Governmental Activities **\$ 4,090,698**

See accompanying notes to the basic financial statements.

Hocking County
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property Taxes	\$3,339,000	\$3,339,000	\$3,613,950	\$274,950
Charges for Services	1,047,300	1,047,000	1,001,813	(45,187)
Licenses and Permits	2,225	2,225	2,575	350
Fines and Forfeitures	169,325	169,325	144,887	(24,438)
Intergovernmental	860,500	860,500	876,101	15,601
Interest	104,500	104,450	113,413	8,963
Other	63,500	63,550	140,790	77,240
Total Revenues	5,586,350	5,586,050	5,893,529	307,479
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	1,949,346	1,950,995	1,862,712	88,283
Judicial	1,339,158	1,357,276	1,334,899	22,377
Public Safety	1,554,422	1,581,575	1,466,400	115,175
Public Works	35,193	35,174	33,963	1,211
Health	51,032	62,843	54,836	8,007
Human Services	323,571	324,557	315,110	9,447
Conservation and Recreation	208,514	208,514	207,992	522
Community and Economic Development	69,701	69,621	68,256	1,365
Total Expenditures	5,530,937	5,590,555	5,344,168	246,387
Excess of Revenues Over (Under) Expenditures	55,413	(4,505)	549,361	553,866
OTHER FINANCING SOURCES AND USES:				
Transfers Out	(537,750)	(503,031)	(486,762)	16,269
Total Other Financing Sources and Uses	(537,750)	(503,031)	(486,762)	16,269
Net Change in Fund Balance	(482,337)	(507,536)	62,599	570,135
Fund Balance at Beginning of Year	1,401,103	1,401,103	1,401,103	0
Prior Year Encumbrances Appropriated	102,654	102,654	102,654	0
Fund Balance at End of Year	\$1,021,420	\$996,221	\$1,566,356	\$570,135

See accompanying notes to the basic financial statements.

Hocking County
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
Motor Vehicle and Gas Tax Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for Services	\$170,500	\$170,500	\$142,689	(\$27,811)
Fines and Forfeitures	\$32,000	\$32,000	\$30,939	(\$1,061)
Intergovernmental	3,074,000	3,074,000	3,000,209	(73,791)
Interest	7,000	7,000	2,894	(4,106)
Other	252,002	69,500	286,085	216,585
Total Revenues	3,535,502	3,353,000	3,462,816	109,816
EXPENDITURES:				
Current:				
Public Works	3,256,080	3,511,726	3,317,120	194,606
Debt Service:				
Principal Retirements	84,685	84,685	84,685	-
Interest	12,235	12,235	12,235	-
Total Expenditures	3,353,000	3,608,646	3,414,040	194,606
Excess of Revenues Over (Under) Expenditures	182,502	(255,646)	48,776	304,422
Other Financing Sources and Uses:				
Transfers In	61,812	-	-	-
Total Other Financing Sources and Uses	61,812	-	-	-
Net Change in Fund Balance	244,314	(255,646)	48,776	304,422
Fund Balance at Beginning of Year	352,748	352,748	352,748	0
Prior Year Encumbrances Appropriated	103,739	103,739	103,739	0
Fund Balance at End of Year	\$700,801	\$200,841	\$505,263	\$304,422

See accompanying notes to the basic financial statements.

Hocking County
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
Human Services Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$4,501,000	\$4,501,000	\$3,572,213	(\$928,787)
Other	245,000	245,000	256,469	11,469
Total Revenues	4,746,000	4,746,000	3,828,682	(917,318)
EXPENDITURES:				
Current:				
Human Services	4,524,000	4,524,000	3,883,357	640,643
Total Expenditures	4,524,000	4,524,000	3,883,357	640,643
Excess of Revenues Over (Under) Expenditures	222,000	222,000	(54,675)	(276,675)
Other Financing Sources and Uses:				
Transfers In	320,000	320,000	117,744	(202,256)
Transfers Out	(320,000)	(320,000)	0	320,000
Total Other Financing Sources and Uses	-	-	117,744	117,744
Net Change in Fund Balance	222,000	222,000	63,069	(158,931)
Fund Balance at Beginning of Year	46,102	46,102	46,102	-
Prior Year Encumbrances Appropriated	224,861	224,861	224,861	-
Fund Balance at End of Year	\$492,963	\$492,963	\$334,032	(\$158,931)

See accompanying notes to the basic financial statements.

Hocking County
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
MR/DD Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Property Taxes	\$1,105,055	\$1,105,055	\$1,135,325	\$30,270
Intergovernmental	583,964	583,964	455,983	(127,981)
Other	26,330	26,330	68,031	41,701
Total Revenues	<u>1,715,349</u>	<u>1,715,349</u>	<u>1,659,339</u>	<u>(56,010)</u>
EXPENDITURES:				
Current:				
Health	2,246,851	2,249,834	1,716,001	533,833
Total Expenditures	<u>2,246,851</u>	<u>2,249,834</u>	<u>1,716,001</u>	<u>533,833</u>
Excess of Revenues Over (Under) Expenditures	<u>(531,502)</u>	<u>(534,485)</u>	<u>(56,662)</u>	<u>477,823</u>
OTHER FINANCING SOURCES AND USES:				
Transfers Out	-	(13,283)	-	13,283
Total Other Financing Sources and Uses	<u>-</u>	<u>(13,283)</u>	<u>-</u>	<u>13,283</u>
Net Change in Fund Balance	(531,502)	(547,768)	(56,662)	491,106
Fund Balance at Beginning of Year	1,457,978	1,457,978	1,457,978	-
Prior Year Encumbrances Appropriated	<u>21,066</u>	<u>21,066</u>	<u>21,066</u>	<u>-</u>
Fund Balance at End of Year	<u>\$947,542</u>	<u>\$931,276</u>	<u>\$1,422,382</u>	<u>\$491,106</u>

See accompanying notes to the basic financial statements.

Hocking County
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
Emergency Medical Services Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property Taxes	\$911,000	\$911,000	\$984,264	\$73,264
Charges for Services	225,000	225,000	254,740	29,740
Other	89,000	89,000	119,669	30,669
Total Revenues	<u>1,225,000</u>	<u>1,225,000</u>	<u>1,358,673</u>	<u>133,673</u>
EXPENDITURES:				
Current:				
Health	<u>1,508,220</u>	<u>1,522,062</u>	<u>1,382,544</u>	<u>139,518</u>
Total Expenditures	<u>1,508,220</u>	<u>1,522,062</u>	<u>1,382,544</u>	<u>139,518</u>
Excess of Revenues (Under) Expenditures	<u>(283,220)</u>	<u>(297,062)</u>	<u>(23,871)</u>	<u>273,191</u>
Net Change in Fund Balance	(283,220)	(297,062)	(23,871)	273,191
Fund Balance at Beginning of Year	846,000	846,000	846,000	-
Prior Year Encumbrances Appropriated	<u>20,044</u>	<u>20,044</u>	<u>20,044</u>	<u>-</u>
Fund Balance at End of Year	<u><u>\$582,824</u></u>	<u><u>\$568,982</u></u>	<u><u>\$842,173</u></u>	<u><u>\$273,191</u></u>

See accompanying notes to the basic financial statements.

Hocking County
Statement of Fund Net Assets
Proprietary Fund
December 31, 2004

ASSETS:	<u>Enterprise</u>
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 79,032
Accounts Receivable (net of allowance, where applicable)	<u>14,377</u>
Total Current Assets	93,409
 <i>Noncurrent Assets</i>	
Non-Depreciable Net Assets	29,000
Depreciable Capital Assets, net	<u>1,628,754</u>
Total Noncurrent Assets	1,657,754
 Total Assets	 <u><u>\$ 1,751,163</u></u>
 LIABILITIES:	
<i>Current Liabilities</i>	
Accrued Wages and Benefits	\$ 1,079
Revenue Bonds-current	<u>7,600</u>
Total Current Liabilities	8,679
 <i>Noncurrent Liabilities</i>	
Long Term Liabilities:	
Revenue Bonds	507,900
Compensated Absences Payable	<u>842</u>
Total Noncurrent liabilities	508,742
 Total Liabilities	 517,421
 NET ASSETS:	
Invested in capital assets, net of related debt	1,142,254
Unrestricted	<u>91,488</u>
 Total Net Assets	 <u><u>\$ 1,233,742</u></u>

See accompanying notes to the basic financial statements.

Hocking County
*Statement of Revenues, Expenses and
 Changes in Fund Net Assets
 Proprietary Fund
 For the Year Ended December 31, 2004*

	Enterprise
Operating Revenues	
Charges for Services	\$ 102,710
Other Operating Revenues	4,487
Total Operating Revenues	107,197
Operating Expenses	
Salaries and Wages	40,504
Fringe Benefits	11,429
Contractual Services	97,142
Materials & Supplies	13,882
Other	23,736
Depreciation Expense	59,119
Total Operating Expenses	245,812
Operating Loss	(138,615)
Nonoperating Expenses	
Interest & Fiscal Charges	(30,425)
Total Nonoperating Revenues	(30,425)
Net Loss Before Capital Contributions	(169,040)
Capital Contributions-Intergovernmental	198,000
Change in Net Assets	28,960
Net Assets	
at Beginning of Year	1,204,782
Net Assets	
at End of Year	\$ 1,233,742

See accompanying notes to the basic financial statements.

Hocking County
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2004

	Enterprise
<i>Increase/(Decrease) in Cash and Cash Equivalents:</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Customers	\$ 108,663
Cash Received from Other Revenues	4,487
Cash Payments to Suppliers for Goods and Services	(117,141)
Cash Payments for Other Operating Expenses	(23,736)
Cash Payments to Employees for Services and Benefits	(52,362)
	(80,089)
<i>Net Cash Used for Operating Activities</i>	
 <i>Cash Flows from Capital and Related Financing Activities:</i>	
Capital Contributions- Intergovernmental	198,000
Payments for Capital Acquisitions	(50,349)
Principal Payments	(7,200)
Interest Payments	(30,425)
	110,026
<i>Net Cash Provided by Capital and Related Financing Activities</i>	
 Net Increase in Cash and Cash Equivalents	 29,937
Cash and Cash Equivalents at Beginning of Year	49,095
	79,032
Cash and Cash Equivalents at End of Year	\$ 79,032
 <i>Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:</i>	
Operating (Loss)	\$ (138,615)
 <i>Adjustments to Reconcile Operating (Loss) to Net Cash Used for Operating Activities:</i>	
Depreciation	59,119
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	5,953
Increase/(Decrease) in Accounts Payable/Contracts Payable	(6,117)
Increase/(Decrease) in Accrued Wages and Benefits	(429)
	58,526
Total Adjustments	58,526
Net Cash Used for Operating Activities	\$ (80,089)

See accompanying notes to the basic financial statements.

Hocking County
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2004

ASSETS:

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$ 1,848,473
Cash and Cash Equivalents in Segregated Accounts	270,663
Taxes Receivable	18,034,907
Due from Other Governments	<u>1,618,623</u>

Total Assets \$ 21,772,666

LIABILITIES:

Accrued Wages and Benefits	\$ 18,137
Due to Other Governments	21,537,275
Undistributed Monies	199,878
Deposits Held and Due to Others	<u>17,376</u>

Total Liabilities \$ 21,772,666

See accompanying notes to the basic financial statements.

HOCKING COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 1 - REPORTING ENTITY

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

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

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt or levying of taxes.

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

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

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

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

HOCKING COUNTY
Notes to the Basic Financial Statements - Continued
For the Year Ended December 31, 2004

NOTE 1 - REPORTING ENTITY - Continued

Discretely Presented Component Units: - Continued

The County is associated with certain organizations, two of which are defined as Jointly Governed Organizations, and one joint venture. These organizations are presented in Note 18 and 19 to the Basic Financial Statements. These organizations are:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hocking County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the County's accounting policies.

Basis of Presentation

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

Government-Wide Financial Statements

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

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

HOCKING COUNTY
Notes to the Basic Financial Statements - Continued
For the Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Financial Statements

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

Fund Accounting: The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes herein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

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

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

Motor Vehicle Gas Tax Fund – This fund accounts for state gasoline tax and motor vehicle registration fees for maintenance and improvement of County roads.

Mentally Retarded and Developmentally Disabled (MR/DD) Fund – This fund accounts for the operation of a school and the costs of administering a workshop for the developmentally disabled. Revenue sources are a county-wide property tax levy and state and federal grants.

Human Services Fund – This fund accounts for various federal and state grants, as well as transfers from the General Fund used to provide income maintenance and social service programs as well as other services to persons in need.

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

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

HOCKING COUNTY
Notes to the Basic Financial Statements - Continued
For the Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Proprietary Funds

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

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

Sewer Fund – This fund accounts for the provision of wastewater treatment services to residential and commercial users within the County.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County’s own programs. The County did not have any trust funds in 2004. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County’s agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

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

HOCKING COUNTY
Notes to the Basic Financial Statements - Continued
For the Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenues – Exchange and Nonexchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest. The permissive sales taxes, various State of Ohio non-reimbursable grants, local government, local government revenue assistance, gasoline tax, motor vehicle license tax, and undivided library taxes are recognized as receivables in accordance with the fiscal year of the State of Ohio that ends June 30, 2005. Therefore six months of receivables have been recorded for these revenue types.

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim at December 31, 2004, but were levied to finance 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue. In addition permissive sales taxes, various State of Ohio non-reimbursable grants, local government, local government revenue assistance, gasoline tax, motor vehicle license tax, and undivided library taxes received after the sixty-day availability period have been recorded as deferred revenue. On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

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

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Tax Budget: A budget of estimated revenues and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources: The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported as the final budget on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2004.

Appropriations: A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the Commissioners. The County Commissioners legally enacted several supplemental appropriation resolutions during the year. The budget figures reported as the final budget that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

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

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for enterprise funds.

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

Cash and Cash Equivalents: The County has adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools; however, the County did not have any investments during 2004, so there was no impact on the financial statements. Cash balances of the County's funds, except cash held by a trustee or fiscal agent and in segregated accounts, are pooled and invested in interest bearing accounts and short-term certificates of deposit in order to provide improved cash management. Each fund type's share of the pool is presented on the balance sheet in the account "Equity in pooled cash and cash equivalents." For purposes of the statement of cash flows and for presentation on the statement of net assets, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents. Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts."

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interest is distributed to the General Fund, the Motor Vehicle Gas Tax Fund, and the Sheriff LEBG Nonmajor Special Revenue Fund and the interest earned during 2004 amounted to \$109,266, \$2,894 and \$2,800 respectively. Nonparticipating investment contracts such as certificates of deposit are reported at cost.

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

Interfund Assets and Liabilities: Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet.

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

Public domain (infrastructure) general capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been capitalized for acquisitions during fiscal year 2004.

Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40-60
Land improvements	15-25
Machinery and equipment	5-20
Vehicles	5
Sewer treatment plants	25
Sewer lines and related assets	40-50
Infrastructure	10-40

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

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

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

Interfund Receivables/Payables: On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Receivables/Payables." Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances."

Accrued Liabilities and Long-Term Obligations: All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds and special assessment bonds are recognized as liabilities on the fund financial statements when due.

Net Assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Other purposes restricted net assets include activities of the Engineer, Developmental Disabilities, Sheriff, Job and Family Services, Children Services, and Courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

Reserves of Fund Equity: The County records reservations for those portions of fund balance, which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

NOTE 3 - COMPLIANCE

Legal Compliance: The following funds had expenditures plus encumbrances in excess of appropriations at December 31, 2004:

<i>Special Revenue Funds</i>	
Hocking County DHS/CSEA	
Human Services	\$122,361
Sick/Vacation Reserve	
Legislative and Executive	\$3,848
Certificate of Title Administrative	
Legislative and Executive	\$17,072
Sheriff Law Enforcement Trust	
Public Safety	\$6,939
<i>Capital Projects Fund</i>	
Old Straitsville Water Extension	
Intergovernmental	\$491

NOTE 4 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS

Changes in Accounting Principles

For the fiscal year 2004, the County has implemented Governmental Accounting Standards Board (GASB) Statement No.39, “Determining Whether Certain Organizations are Component Units” and GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences.”

GASB Statement No. 39 is an amendment to GASB Statement No. 14 and provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationships with the primary government. This statement had no effect on the County for the year 2004.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the County not being able to present budgetary comparisons for the general and each major special revenue fund. This statement had no effect on the County for the year 2004.

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 4 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS - Continued

Restatement of Net Assets

Net assets for governmental activities were restated as of January 1, 2004 from \$14,478,187 to \$14,484,633 for a difference of \$6,446 due to the correction of an error.

NOTE 5 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - (Non-GAAP Budgetary Basis) are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental funds (GAAP basis).

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

Net Changes in Fund Balances Major Governmental Funds

	<u>General</u>	<u>Motor Vehicle Gas Tax</u>	<u>Human Services</u>	<u>Mentally Retarded And Developmentally Disabled</u>	<u>Emergency Medical Services</u>
GAAP Basis	\$ 229,053	\$ 212,908	\$ (39,857)	\$ 7,538	\$ 91,496
Increases (Decreases) Due To:					
Revenue Accruals	1,746	(3,890)	382,566	11,836	(48,593)
Expenditure Accruals	(144,449)	(193,830)	(340,301)	(101,584)	(89,765)
Inception of Capital Lease	(39,930)	-	-	-	-
Encumbrances	16,179	33,588	60,661	25,548	22,991
Budget Basis	<u>\$ 62,599</u>	<u>\$ 48,776</u>	<u>\$ 63,069</u>	<u>\$ (56,662)</u>	<u>\$ (23,871)</u>

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS

Policies and Procedures: The County has adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. However, at December 31, 2004, the County did not hold any investments. State Statute classifies monies held by the County into two categories. Active monies means an amount of public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

1. Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase and reverse repurchase agreements in the securities listed above;
4. Bond and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed 5 percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed two hundred seventy days and in an amount not to exceed 10 percent of the County's total average portfolio.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS – Continued

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.

Deposits. At year-end, the carrying amount of the County's deposits was \$10,253,284. The County's bank balance was \$11,401,683. Of the bank balance, \$490,595 was covered by federal depository insurance. The remaining amounts were considered uninsured and uncollateralized. Although all Ohio statutory requirements for the collateralization of deposits had been followed, non-compliance with federal requirements could potentially prevent the County from exercising a successful claim as a secured creditor against the FDIC and render them a general creditor for the uncollateralized amount.

Investments. Statutory provisions require that the County Treasurer hold all securities acquired by the County or deposit them with a qualified trustee pursuant to Section 135.18, Revised Code.

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and fair value of investments classified by risk. Category 1 includes investments that are insured or registered for which the County holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held in the counter party's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department but not in the County's name. The County held no investments as of December 31, 2004.

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Because there are no differences between investments per GASB Statement No. 9 and GASB Statement No. 3, no reconciliation is necessary.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years. The last reappraisal was completed in 1998. Real property taxes are payable annually or semiannually. The first payment is due February 14, with the remainder payable by July 18.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due October 17. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by October 17.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 7 - PROPERTY TAXES - Continued

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

Accrued property taxes receivables represent delinquent taxes outstanding and real, tangible personal, and public utility taxes that were measurable and unpaid as of December 31, 2004. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2004 operations. The receivable is therefore offset by a credit to deferred revenue. On the modified accrual basis, the entire receivable is deferred.

The full tax rate for all County operations for the year ended December 31, 2004, was \$11.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Residential/Agricultural	\$ 373,095,280
Commercial/Industrial	45,809,620
Public Utilities	103,020
Minerals	1,531,180
Tangible Personal Property	
General	31,680,436
Public Utility	<u>49,550,180</u>
Total Property Taxes	<u>\$ 501,769,716</u>

NOTE 8 - PERMISSIVE SALES TAX

In prior years, the County Commissioners, by resolution, imposed a one percent tax on certain retail sales, made in the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited entirely to the general fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2004 amounted to \$2,178,128.

In 1998, a 911 Sales Tax in the amount of one quarter of one percent on certain retail sales made in the County was imposed. The proceeds from this tax are credited to the Hocking County 911 Fund and are used for 911 purposes. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. The 911 sales and use tax revenue for 2004 amounted to \$546,099.

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2004

NOTE 9 - CAPITAL ASSETS

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$ 350,069	\$ -	\$ -	\$ 350,069
Construction in Progress	233,498	434,797	(233,498)	434,797
Total Nondepreciable Capital Assets	583,567	434,797	(233,498)	784,866
Depreciable Capital Assets				
Land Improvements	51,675	-	-	51,675
Buildings	1,197,440	387,530	-	1,584,970
Infrastructure	1,853,406	2,857,262	-	4,710,668
Vehicles	3,206,824	126,806	(141,519)	3,192,111
Machinery and Equipment	2,663,680	138,770	(58,528)	2,743,922
Total Depreciable Capital Assets	8,973,025	3,510,368	(200,047)	12,283,346
Less Accumulated Depreciation for				
Land Improvements	(1,968)	(3,400)	-	(5,368)
Buildings	(630,953)	(35,304)	-	(666,257)
Infrastructure	(92,671)	(282,433)	-	(375,104)
Vehicles	(1,906,501)	(280,264)	126,315	(2,060,450)
Machinery and Equipment	(1,849,025)	(220,756)	54,171	(2,015,610)
Total Accumulated Depreciation	(4,481,118)	(822,157)	180,486	(5,122,789)
Total Depreciable Capital Assets, Net	4,491,907	2,688,211	(19,561)	7,160,557
Governmental Activities Capital Assets, Net	\$ 5,075,474	\$ 3,123,008	\$ (253,059)	\$ 7,945,423
	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
Business Type Activities:				
Nondepreciable Capital Assets				
Land	\$ 29,000	\$ -	\$ -	\$ 29,000
Construction in Progress	163,535	-	(163,535)	-
Total Nondepreciable Capital Assets	192,535	-	(163,535)	29,000
Depreciable Capital Assets				
Wastewater Treatment Plant	341,079	-	-	341,079
Vehicle	11,000	-	-	11,000
Collection System	1,599,071	213,884	-	1,812,955
Total Depreciable Capital Assets	1,951,150	213,884	-	2,165,034
Less Accumulated Depreciation for				
Wastewater Treatment Plant	(140,569)	(10,637)	-	(151,206)
Vehicle	(4,400)	(2,200)	-	(6,600)
Collection System	(332,192)	(46,282)	-	(378,474)
Total Accumulated Depreciation	(477,161)	(59,119)	-	(536,280)
Total Depreciable Capital Assets, Net	1,473,989	154,765	-	1,628,754
Business-Type Activities Capital Assets, Net	1,666,524	154,765	(163,535)	1,657,754

Capital asset activity for the year ended December 31, 2004 was as follows:

HOCKING COUNTY
Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 9 - CAPITAL ASSETS - Continued

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	\$ 67,321
Judicial	36,920
Public Safety	147,735
Public Works	480,980
Health	36,993
Human Services	50,799
Conservation and Recreation	1,409
Total Depreciation Expense - Governmental Activities	<u>\$ 822,157</u>

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 10 - INTERGOVERNMENTAL RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

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

Fund / Type	Amount
Major Funds	
<i>General Fund</i>	
Local Government & Local Government	
Revenue Assistance	\$ 277,705
Homestead Rollback	98,500
Other	29,014
<i>Total General Fund</i>	405,219
<i>Motor Vehicle Gas Tax</i>	
License, Gasoline & Permissive Taxes	1,503,729
Grants and Entitlements	64,772
<i>Total Motor Vehicle Gas Tax</i>	1,568,501
<i>Human Services</i>	
Grants and Entitlements	1,612,749
<i>Total Human Services</i>	1,612,749
<i>Mentally Retarded & Developmentally Disabled</i>	
Grants and Entitlements	18,791
Homestead and Rollback	73,500
<i>Total Mentally Retarded & Developmentally Disabled</i>	92,291
<i>EMS</i>	
Homestead and Rollback	60,000
<i>Total EMS</i>	60,000
Total Major Funds	3,738,760
<i>Other Governmental Funds</i>	
Grants and Entitlements	182,521
Homestead Rollback	11,000
Other	136,294
<i>Total Other Governmental Funds</i>	329,815
<i>Total Intergovernmental Receivable</i>	\$ 4,068,575
<i>Agency Funds</i>	
License, Gasoline, and Permissive Taxes	686,956
Undivided Library Tax	226,141
Local Government & Local Government	
Revenue Assistance	346,330
Other	359,196
<i>Total Agency Funds</i>	1,618,623
<i>Total Due from Other Governments</i>	\$ 1,618,623
Total All Funds	\$ 5,687,198

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 11 - RISK MANAGEMENT

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

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

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

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

In the event of the termination of the Council, after sufficient time for payment of any potential claims and expense, any balance would be refunded to the members of the Council, pro-rated based upon their last years contribution. During 2004, Hocking County paid \$72,425 to the Council for insurance coverage. This jointly governed organization is a cost-sharing pool.

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

NOTE 12 - DEFINED BENEFIT RETIREMENT PLAN

All Hocking County full-time employees, other than certified teachers with the Board of Mental Retardation and Development Disabilities (MR/DD), participate in the Public Employees Retirement System of Ohio.

Ohio Public Employees Retirement System

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
 - 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
 - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 12 - DEFINED BENEFIT RETIREMENT PLAN - Continued

D. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

E. The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

The 2004 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%. Public safety division members contributed at 9%.

The 2004 employer contribution rate for state employers was 13.31% of covered payroll. For local government employer units, the rate was 13.55% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2004 was 16.7%.

The District's contributions to OPERS for the years ended December 31, 2004, 2003, and 2002, were \$1,860,136, \$2,037,297 and \$1,967,645 respectively. 95.3% has been contributed for 2004 and 100% for years 2003 and 2002. Of the 2004 amount, \$86,998 was unpaid at December 31, 2004 and is recorded as a liability within the respective funds.

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System have an option to choose social security or the Public Employees Retirement System. As of December 31, 2004, none of the elected officials had elected social security.

NOTE 13 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System:

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

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.55% of covered payroll for both fiscal years 2004 and 2003; 4.0% was used to fund health care for the year 2004 and 5.0% was used to fund health care for the year 2003.

B. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

C. Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on OPERS' latest Actuarial Reviews performed as of December 31, 2003.

HOCKING COUNTY
Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 13 - POSTEMPLOYMENT BENEFITS - Continued

Funding Method – An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return – The investment assumption rate for 2003 was 8.00%.

Active Employee Total Payroll – An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from .50% to 6.30%.

Health Care – Health care cost were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

D. OPEBs are advance-funded on an actuarially determined basis. The following disclosures are required:

1. The number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885 for 2004 and 364,881 for 2003.
2. The employer contributions that were used to fund postemployment benefits were \$322,009 for 2004, and \$472,665 for 2003.
3. \$10.5 billion represents the actuarial value of OPERS' net assets available for OPEBs at December 31, 2003.
4. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

E. OPERS Retirement Board adopts a Health Care Preservation Plan

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 14 - OTHER EMPLOYEE BENEFITS

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

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 15 - LONG-TERM DEBT

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

<u>Types/Issues</u>	<u>Outstanding 12/31/03</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding 12/31/04</u>	<u>Due In One Year</u>
<i>General Long-Term Obligations</i>					
General Obligation Bonds:					
1998 - 3.8 - 5.35% (Original Issue \$750,000)					
Consolidated County Building Bonds	\$ 535,000	\$ -	\$ 45,000	\$ 490,000	\$45,000
Total General Obligation Bonds	535,000	-	45,000	490,000	45,000
<i>Long-Term Notes</i>					
2001 - 7.0% (Original Issue \$118,800)					
Land Mortgage Note	90,383	-	15,717	74,666	16,817
2003 - 4.15% (Original Issue \$277,692)					
Juvenile Detention Facility Notes	277,692	-	9,152	268,540	9,563
2004 - 5.5% (Original Issue \$175,000)					
Columbus Gas Building Note	-	175,000	-	175,000	4,982
Total Long-Term Notes	368,075	175,000	24,869	518,206	31,362
<i>Special Assessment Bonds:</i>					
1996 - 5.5% (Original Issue \$53,500)					
Rockbridge Sewer Special Assessment Bonds	42,000	-	2,200	39,800	2,300
1991 - 5.875% (Original Issue \$51,834)					
Haydenville FmHA Special Assessment Bonds	28,000	-	2,800	25,200	3,000
1985 - 5.0% (Original Issue \$61,290)					
West Logan Water FmHA Special Assessment Bond:	6,190	-	3,100	3,090	3,090
Total Special Assessment Bonds	76,190	-	8,100	68,090	8,390
Obligations Under Capital Leases	224,419	39,930	102,011	162,338	100,271
Compensated Absences	786,317	771,040	786,317	771,040	43,685
Total General Long-Term Obligations	<u>\$ 1,990,001</u>	<u>\$ 985,970</u>	<u>\$ 966,297</u>	<u>\$ 2,009,674</u>	<u>\$ 228,708</u>
<i>Enterprise Fund</i>					
1996 - 4.5% (Original Issue \$333,000)					
Rockbridge Sanitary Sewer Revenue Bonds	\$ 318,200	\$ -	\$ 4,100	\$ 314,100	\$ 4,400
1991 - 5.875% (Original Issue \$227,000)					
Haydenville Sewer FmHA Revenue Bonds	204,500	-	3,100	201,400	3,200
Total Revenue Bonds	522,700	-	7,200	515,500	7,600
Compensated Absences	842	-	-	842	-
Total Enterprise Fund	<u>\$ 523,542</u>	<u>\$ -</u>	<u>\$ 7,200</u>	<u>\$ 516,342</u>	<u>\$ 7,600</u>

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2004

NOTE 15 - LONG-TERM DEBT - Continued

All of the General Obligation Bonds will be paid from the Debt Service Funds. The Land Mortgage Note will be paid from the Auto Gas Fund (a Special Revenue Fund). The Special Assessment Bonds will be paid through special assessments levied on the benefiting property owners. In the event that a property owner would fail to pay the assessment, the County would make payment. Operating revenues generated from sewer fees will pay the Enterprise Fund Bonds. The compensated absences liability will be paid from the fund from which the employees are paid. Additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the County to determine these amounts separately.

The capital lease obligations will be repaid from the General Fund and the Motor Vehicle License Tax Fund as described in Note 16. Hocking Valley Community Hospital is responsible for the debt service on the 1993 Hospital Refunding and Improvement Bonds and the 1997 County Hospital Improvement Bond Anticipation Note. The County is not reporting this debt as part of the County's Primary Government. The Hospital is responsible for paying off this debt; therefore, the debt is being reported within the Hocking Valley Community Hospital, a discretely presented component unit of the County. In the event that the Hospital would fail to pay the debt, the County would be responsible for making payment.

During 2004, the County issued a long term note in the amount of \$175,000 for the purpose of purchasing the Columbia Gas building. This note will be repaid from the General Fund.

The following is a summary of the County's future principal and interest requirements for long-term bonds, including \$680,775 of interest:

	Consolidated Services Building Bonds	Special Assessment Bonds	Sanitary Sewer Revenue Bonds	Total
2005	\$ 70,242	\$ 11,816	\$ 33,567	\$ 115,625
2006	73,082	8,592	33,481	115,155
2007	70,632	8,696	33,479	112,807
2008	68,132	8,579	33,456	110,167
2009	70,582	8,651	33,612	112,845
2010-2014	184,850	29,472	167,575	381,897
2015-2019	113,375	12,331	167,558	293,264
2020-2024	-	-	167,426	167,426
2025-2029	-	-	167,516	167,516
2030-2034	-	-	122,332	122,332
2035-2037	-	-	55,331	55,331
Totals	<u>\$ 650,895</u>	<u>\$ 88,137</u>	<u>\$ 1,015,333</u>	<u>\$ 1,754,365</u>

HOCKING COUNTY
Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 15 - LONG-TERM DEBT - Continued

The long-term notes (including interest of \$258,341) are payable as follows:

	Land Mortgage Notes	Columbia Gas Building Notes	Juvenile Detention Facility Notes	Total
2005	\$ 22,044	\$ 14,741	\$ 20,708	\$ 57,493
2006	22,044	14,741	20,708	57,493
2007	22,044	14,741	20,708	57,493
2008	22,042	14,741	20,708	57,491
2009	-	14,741	20,708	35,449
2010-2014	-	73,703	103,538	177,241
2015-2019	-	73,703	103,538	177,241
2020-2024	-	73,703	82,943	156,646
Totals	<u>\$ 88,174</u>	<u>\$ 294,814</u>	<u>\$ 393,559</u>	<u>\$ 776,547</u>

NOTE 16 - CAPITAL LEASE OBLIGATIONS

The County entered into an agreement to lease a Ford Crown Victoria for the Sheriff's Office during fiscal year 2004. The terms of the agreements provide options to purchase the vehicle at the end of the lease. The leases meet the criteria of capital leases as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. The County has capital leases for which they are making principal and interest payments from previous years. For these leases and the new leases, principal and interest payments made during fiscal year 2004 were \$102,011 and \$13,651, respectively. For the leased asset acquired above, capital assets acquired by leases have been capitalized in the governmental activities capital assets in an amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded. The County's future minimum lease payments under capital lease obligations as of December 31, 2004 are as follows:

Fiscal Year	Capital Leases
2005	\$ 108,461
2006	40,144
2007	25,915
Total minimum lease payments	\$ 174,520
Less: amount representing interest	12,182
Present value of minimum lease payments	<u>\$ 162,338</u>

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NTE 17 - INTERFUND TRANSACTIONS

Fund Type/Fund	Due From Other Funds	Due To Other Funds
General Fund	11,240	2,033
Major Special Revenue Funds:		
Motor Vehicle Gas Tax Fund	1,208	-
MRDD	-	1,208
Hocking County Jobs and Family Services	-	38,578
<i>Total Major Funds</i>	12,448	41,819
<i>Non-Major Special Revenue Funds</i>		
Children's Services Fund	21,470	10,734
Special Projects	2,236	-
Lodging Tax Fund	-	7,189
Family & Children First Fund	31,606	3,003
Municipal Clerk's Computer Fund	2,506	-
Juvenile Court Computer Fund	398	-
Hocking County Emergency Mgt.	2,081	-
Felony Delinquent Care and Custody	-	10,000
<i>Total Non-Major Special Revenue Funds</i>	60,297	30,926
<i>Total Governmental Funds</i>	72,745	72,745
Total All Funds	\$ 72,745	\$ 72,745
Fund Type/Fund	Interfund Receivable	Interfund Payable
<i>General Fund</i>	\$ 1,491	\$ -
<i>Other Governmental Funds</i>		
<i>Special Revenue Fund</i>		
Hocking County Integrated Intervention/CCA	-	1,491
Total Other Governmental Funds	-	1,491
Total All Funds	\$ 1,491	\$ 1,491

The due to and due from other funds are the result of various transactions between funds. The interfund receivable and payable is the result of an advance of monies from the General Fund for cash flow purposes.

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 17 - INTERFUND TRANSACTIONS - Continued

Transfers In and Out

<u>Fund Type/Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds		
General Fund	\$ -	\$ 486,762
Human Services Fund	117,744	-
Total Major Funds	<u>117,744</u>	<u>486,762</u>
Other Governmental Funds		
<i>Non-Major Special Revenue Funds</i>		
Concealed Handgun License	8,200	-
Children's Services Fund	285,000	-
VOCA Grant 96 Fund	11,785	-
Sheriff LEBG	23,325	-
Hocking County Emergency Mgt.	20,000	-
<i>Total Non-Major Special Revenue Funds</i>	<u>348,310</u>	<u>-</u>
<i>Non-Major Debt Service Funds</i>		
General Obligation Debt	20,708	-
<i>Total Non-Major Debt Service Funds</i>	<u>20,708</u>	<u>-</u>
Total Other Governmental Funds	369,018	-
Total All Funds	<u>\$ 486,762</u>	<u>\$ 486,762</u>

During the year the County provided transfers to the above funds to subsidize them in accordance with the funds' needs.

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

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

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

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

Athens/Hocking Joint Solid Waste Management District

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

Buckeye Joint-County Self Insurance Council

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

Ohio Government Risk Management Plan

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

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

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 19 – JOINT VENTURE

Corrections Commission of Southeastern Ohio

The County is a participant with Athens, Morgan and Perry counties in the Corrections Commission of Southeastern Ohio (the Commission) which is a joint venture of the participating counties. The purpose of the Commission is to augment the county jail programs and facilities. The operation of the Commission allows for the humane and constitutional detention of persons who cannot be released to less restrictive alternatives. The participating Boards of County Commissioners established the Commission. The Commission is directed by the Sheriff of each participating county, the presiding Judge of the Court of Common Pleas of each participating county, and the current president of each participating Board of County Commissioners. Each county is obligated to provide financial support to this entity through per diem charges and assessments that are based on the number of beds contractually assigned to each county in proportion to the total number of beds of all participating counties. The County has an ongoing financial responsibility for this entity and, during 2004, contributed \$342,368 toward the operating and capital costs of this facility. However the County has no explicit equity interest in the Commission. Complete financial statements of the joint venture can be obtained from the Corrections Commission of Southeastern Ohio, 16678 Wolfe Bennett Road, Nelsonville, Ohio 45764.

NOTE 20 – CONTINGENT LIABILITIES

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

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

NOTE 21 – COMPONENT UNITS

As indicated in Note 1 to the Basic Financial Statements, the following disclosures are made on behalf of Hocking Valley Community Hospital:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2004

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Attached to the grants are certain restrictions requiring the Hospital to provide an annual amount of uncompensated care to indigent patients. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The amount of charity care not recorded as revenue was approximately \$823,672 in 2004.

Net Patient Service Revenue and Patient Accounts Receivable - Normal billing rates for patient services less contractual adjustments are included in patient service revenue. Patient accounts receivable is adjusted for contractual allowances which are reported on the basis of preliminary estimates of the amounts to be received from third party payors. Final adjustments are recorded in the period such amounts are finally determined. In 2004, approximately 45% of the Hospital's total patient revenue was derived from Medicare payments while 16% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance payments and individual self-payments.

Investments - The Hospital's policy is to invest available funds in obligations of the U.S. Government, certificates of deposit, mutual funds and money market funds. Marketable equity securities owned by the Hospital were received through donations. The portfolio is carried at fair value.

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

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

Property, Plant and Equipment - Property, plant and equipment are reported on the basis of cost, except for donated items that are recorded at fair value at the date of the donation. Expenditures which materially increase values, change capacities, or extend useful lives are capitalized. Depreciation is computed using the straight-line method over the expected useful lives of depreciable assets. Equipment under capital leases is amortized using the straight-line method over the lesser of the lease term or the estimated useful life of the equipment.

Deferred Financing Costs - Deferred financing costs consist primarily of underwriter fees and other costs related to the issuance of the bonds and are being amortized over the life of the bonds based on the straight-line method. Accumulated amortization as of December 31, 2004 was \$36,047.

Cash and Cash Equivalents - The Hospital considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Compensated Absences - Compensated absences are accrued when incurred utilizing the termination method.

Risk Management - The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance is purchased for claims arising from such matters. Settled claims have not exceeded this coverage in any of three preceding years.

Net Assets

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

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2004

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

2. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payment to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- Inpatient acute care services rendered to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors; and
- Certain other costs applicable to the Medicare and Medicaid programs are paid under a cost reimbursement methodology. As a result, final payment for these services will be determined after submission of the Hospital's cost reports and audits by the third-party payors.

Effective August 1, 2000, Medicare initiated the Outpatient Prospective Payment System, whereby most outpatient services will be paid on a prospective basis. There are certain provisions that allow for transitional payments through 2004 if payment under the prospective method falls below what would have been paid on the cost method. Differences between the total program billed charges and the interim payments are reflected as deductions from revenues.

Gross patient service revenue and the allowances to reconcile to net patient service revenue for the year ended December 31, 2004 is as follows:

	2004
Gross patient service revenues	\$46,965,569
Less third-party allowances	19,196,836
Less bad debts	2,152,551
Net patient service revenue	\$25,616,182

3. DEPOSITS AND INVESTMENTS

The classification of cash and cash equivalents, assets whose use is limited and investments in the financial statements differs from criteria set forth in GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements". A reconciliation between the general fund classifications of cash and cash equivalents, assets whose use is limited and investments in the financial statements and the classifications of deposits and investments per GASB Statement No. 3 is as follows:

	December 31, 2004		
	Cash and Cash Equivalents	Assets Whose Use is Limited	Investments
Financial statements	\$601,101	\$330,000	\$620,863
Star Ohio	(90,472)	-	90,472
Merrill Lynch cash management account	(64,554)	-	64,554
Advest money market account	(146,014)	-	146,014
Cash on hand	(750)	-	-
GASB Statement No. 3 deposits	\$299,311	\$330,000	\$921,903

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2004

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

Deposits - At December 31, 2004, the carrying amount of the Hospital's bank deposits for all funds is \$601,101 as compared to a bank balance of \$870,228. The difference in carrying amounts and bank balances are caused by outstanding checks and deposits in-transit. Of the bank balances, at December 31, 2004 \$210,000 is covered by Federal insurance programs and \$660,228, is collateralized with securities held by the financial institution or by its trust department or agent but not in the Hospital's name.

Investments - The Hospital's investments for GASB Statement 3 purposes are categorized below to give an indication of the level of risk assumed by the entity. Risk Category 1 includes those investments that meet any one of the following criteria: a) Insured; b) Registered; or c) Held by the Hospital or its agent in the Hospital's name.

Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Hospital's name. Category 3 includes investments held by a) the counterparty, or b) the counterparty's trust department (or agent), but not in the Hospital's name. The Hospital's investments in Star Ohio, cash management account and money market account are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	December 31, 2004			Carrying Amount
	Category			
	1	2	3	
Government securities	\$ -	\$ -	\$ 201,379	\$ 201,379
Star Ohio	-	-	-	90,472
Cash Management Account	-	-	-	64,554
Money Market Account	-	-	-	146,014
Mutual funds and equities	-	-	419,484	419,484
	-	-	419,484	419,484
Total	\$ -	\$ -	\$ 620,863	\$ 921,903

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	12/31/2003	Additions	Retirements/ Transfers	12/31/2004
Land improvements	\$ 278,495	\$ 3,700	\$ -	\$ 282,195
Buildings and improvements	12,084,587	253,780	-	12,338,367
Equipment	11,366,478	290,632	-	11,657,110
Total capital assets	23,729,560	548,112	-	24,277,672
Less accumulated depreciation:				
Land improvements	(194,483)	(15,191)	-	(209,674)
Buildings and improvements	(3,989,191)	(340,631)	-	(4,329,822)
Equipment	(9,066,072)	(781,105)	-	(9,847,177)
Total accumulated depreciation	(13,249,746)	(1,136,927)	-	(14,386,673)
Capital assets, net	\$ 10,479,814	\$ (588,815)	\$ -	\$ 9,890,999

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

5. MEDICARE AND MEDICAID THIRD-PARTY SETTLEMENTS

Reimbursement for Medicare and Medicaid patients is subject to audit and final settlements by the respective intermediaries. Final settlements have been reached with Medicare through 2002 and with Medicaid through 1999. The amounts reported in the financial statements represent the estimated settlements outstanding at December 31, 2004, which Hospital management believes will approximate final settlements after audit by the respective agencies.

6. LONG-TERM DEBT AND LEASES

The Hospital has the following debt outstanding at December 31, 2004:

- 1993 County Hospital Refunding and Improvement Bonds, Term Bonds, 5.35% due December 1, 2008, mandatory annual redemption beginning December 1, 2004, in installments ranging from \$195,000 to \$235,000 plus interest.
- 1993 County Hospital Refunding and Improvement Bonds, Term Bonds, 5.45% due December 1, 2013, mandatory annual redemption beginning December 1, 2009, in installments ranging from \$50,000 to \$65,000 plus interest.
- 1999 County Hospital Improvement Bonds, Serial Bonds, rates ranging from 3.3% to 4.65%, principal due each December 1 through 2013, ranging from \$90,000 to \$145,000 with interest due each June 1 and December 1.
- 1999 County Hospital Improvement Bonds, Term Bonds, 4.75% due December 1, 2019, mandatory annual redemption beginning December 1, 2014, in installments ranging from \$150,000 to \$185,000 plus interest.
- Note payable, bi-annual payments of \$14,250 due and payable each June and December through 2009. Collateralized by related building.

	12/31/2003	Additions	Payments	12/31/2004	Amount due within 1 year
1993 bonds, issued July 1, 1993	\$ 1,365,000	\$ -	\$ 195,000	\$ 1,170,000	\$ 205,000
1999 bonds, issued March 1, 1999	2,240,000	-	100,000	2,140,000	105,000
Bond discount	(61,888)	-	4,772	(57,116)	-
Note payable, December 2003	256,500	-	28,500	228,000	28,500
Capital Leases	1,365,031	31,440	528,648	867,823	387,882
	\$ 5,164,643	\$ 31,440	\$ 856,920	\$ 4,348,707	\$ 726,382

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

The Hospital leases equipment under capital lease agreements, which generally require the Hospital to pay insurance and maintenance costs. These capital leases are due in monthly installments including interest at rates ranging from approximately 6.3% to 12.2%. They expire at various dates through March 2006 and are collateralized by the equipment leased.

	December 31, 2004
Cost of equipment under capital lease	\$ 3,477,000
Accumulated amortization	2,472,080
Net carrying amount	\$ 1,004,920

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – Continued

6. LONG-TERM DEBT AND LEASES – CONTINUED

Minimum payments on these obligations to maturity as of December 31, 2004 follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 726,382	\$ 191,220	\$ 917,602
2006	591,648	160,814	752,462
2007	569,259	135,605	704,864
2008	419,535	112,194	531,729
2009	284,000	127,958	411,958
2010-2014	790,000	258,780	1,048,780
2015-2019	835,000	168,150	1,003,150
2020-2023	132,883	9,026	141,909
	<u>\$ 4,348,707</u>	<u>\$ 1,163,747</u>	<u>\$ 5,512,454</u>

7. PENSION PLAN

Plan Description - All Hospital employees are required to participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system. PERS provides retirement and disability benefits, annual cost-of-living adjustments, healthcare benefits and death benefits to plan members and beneficiaries. PERS issues a publicly available comprehensive annual financial report, which includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-PERS (7377).

Funding Policy - The required, actuarially-determined contribution rates for the Hospital and employee are 13.55% and 8.5%, respectively. The Hospital's contributions, representing 100% of employer contributions, for the last three years are as follows:

<u>Year</u>	<u>Contribution</u>
2004	\$1,244,705
2003	1,186,566
2002	1,106,423

PERS also provides post-retirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients is available. The healthcare coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB). A portion of each employer's contribution to PERS is set aside for the funding of post-retirement healthcare. The Ohio Revised Code provides statutory authority for employer contributions. The portion of the 2004 employer contribution rates of 13.55% used to fund healthcare was 5.0%. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement healthcare through their contributions to PERS.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provisions are expected to be sufficient to sustain the program indefinitely.

7. PROFESSIONAL LIABILITY INSURANCE

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

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – Continued

9. DEFERRED COMPENSATION

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

10. RELATED PARTIES

The Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation) was organized as a separate not-for-profit membership corporation. The purpose of the Foundation is to solicit gifts for the benefit of the Hospital. The Board of Directors of the Foundation is elected by the Foundation's members. The accompanying financial statements do not include the assets, obligations, revenues or expenses of the Foundation.

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

Hocking Valley Medical Group, Inc. (HVMG) was organized as a separate not-for-profit stock professional corporation. The purpose of HVMG is to engage in the practice, and to render the professional services, of medicine and to further the charitable purposes of the Foundation and the Hospital. At December 31, 2004 the sole shareholder of HVMG has entered an agreement with the Foundation and HVMG that states the shares of HVMG will be voted as directed by the Foundation. The accompanying financial statements do not include the assets, obligations, revenues or expenses of HVMG.

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

2005	\$	75,075
2006		75,075
2007		75,075
2008		75,075
2009		56,306
Total minimum lease payments	\$	<u>356,606</u>

HOCKING COUNTY

Notes to the Basic Financial Statements – Continued
For the Year Ended December 31, 2004

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

As indicated in Note 1 to the Basic Financial Statements, the following disclosures are made on behalf of Hocking Valley Industries, Inc.:

1. ORGANIZATION AND OPERATIONS

Hocking Valley Industries, Inc. is incorporated in the State of Ohio. The Organization provides habilitation services for the mentally and physically handicapped.

2. ACCOUNTING POLICIES

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

Depreciation is computed using the accelerated cost recovery system and the modified accelerated depreciation system (straight-line) as appropriate. The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation expense for the year ended December 31, 2004 was \$8,570.31.

Basis of accounting - The accompanying financial statements have been prepared on a modified cash basis of accounting which includes a provision for depreciation. Consequently, certain revenues and expenses are recognized in the determination of income in different reporting periods than they would be if the financial statements were prepared in conformity with generally accepted accounting principles.

Inventory is priced at lower of cost or market, principally first-in, first-out.

Use of Estimates - The preparation of financial statements in conformity with cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising costs- Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2004 was \$319.60.

3. TAX STATUS

The Agency is a nonprofit voluntary agency, exempt from income tax under Section 501 (c) (3) of the U.S. Internal Revenue Code. The nonprofit corporation is in compliance with the Internal Revenue Code in its respective filings of Form 990, Return of Organization Exempt from Income Tax.

4. LEASES

The Agency is leasing its premises from Hocking County Board of Mental Retardation and Developmental Disabilities (169 Board). Effective for the three-year period July 1, 2002 through June 30, 2005, these payments were to be \$850 per month (subject to renegotiation). Lease expense (rent) for the year ended December 31, 2004 was \$10,200.

The following is a schedule of remaining lease payments as last determined:

2005	\$ 5,100
Total lease payments	\$ 5,100

5. IN-KIND CONTRIBUTIONS

In-kind contributions represent the value of salaries, administrative services, facilities rent and capital costs provided by Hocking County. This amount is taken from the In-Kind Contribution Report submitted by the County Board and has not been independently verified.

Hocking County Financial Condition
Hocking County

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Housing & Urban Development			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants/State's Program		14.228	
Community Housing Improvement Program	G40319		\$168,180
Formula Grant	G30615		11,500
Formula Grant	G40307		130,999
Formula Grant	G21008		6,500
Formula Grant	G31205		45,000
Total Community Development Block Grants			<u>362,179</u>
Home Investment Partnerships Program	G40320	14.239	<u>136,896</u>
Total U.S. Department of Housing & Urban Development			499,075
U.S. Department of Justice			
<i>Passed through the Ohio Office of the Attorney General</i>			
Crime Victim Assistance	N/A	16.575	55,573
<i>Direct from the Federal Government</i>			
Drug Court Discretionary Grant Program	N	16.585	239,307
<i>Passed through the Ohio Office of Criminal Justice Services</i>			
Byrne Formula Grant Program		16.579	
	DG-F01-7336		4,569
	DG-H01-7257		95,780
Total Byrne Formula Grant Program			<u>100,349</u>
Local Law Enforcement Block Grants Program	LE-LEB-3606	16.592	<u>20,000</u>
Total U.S. Department of Justice			415,229
U.S. Department of Labor			
<i>Passed through the Ohio Department of Job & Family Services</i>			
Workforce Investment Act Cluster:			
WIA Adult Program	N/A	17.258	269,808
WIA Youth Activities	N/A	17.259	228,054
WIA Dislocated Workers	N/A	17.260	44,503
Total Workforce Initiative Allocation Cluster:			<u>542,365</u>
Total U.S. Department of Labor			542,365

Hocking County Financial Condition
Hocking County

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004
(continued)

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Transportation			
<i>Passed through the Ohio Department of Transportation</i>			
Highway Planning and Construction	N/A	20.205	1,497,334
Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	20.703	<u>3,509</u>
Total U.S. Department of Transportation			1,500,843
U.S. Department of General Services Administration			
<i>Passed through the Ohio Secretary of State</i>			
Election Reform Payments	SOS-HAVA-37	39.011	6,000
U.S. Department of Health & Human Services			
<i>Passed through the Ohio Department of MRDD</i>			
Special Programs for the Aging- Title III, Part D- Disease Prevention and Health Promotion Services	N/A	93.043	5,422
Social Services Block Grant- Title XX	N/A	93.667	27,591
Medical Assistance Program	N/A	93.778	<u>164,541</u>
Total U.S. Department of Health & Human Services			197,554
U.S. Department of Homeland Security			
<i>Passed through the Ohio Department of Public Safety- Emergency Management Agency</i>			
State Domestic Preparedness Equipment Support Programs		97.004	
	TE-TX-0199		7,600
	MUP-30015		110,415
	TE-CX-0106		8,177
	N/A		<u>14,447</u>
Total State Domestic Preparedness Equipment Support Programs			140,639
Public Assistance Grants	DR-073-0C4A2	97.036	103,126
Emergency Management Performance Grants	EMC-GR-7007	97.042	22,638
Citizens Corps	N/A	97.053	<u>4,769</u>
Total U.S. Department of Homeland Security			<u>271,172</u>
Total Federal Awards Expenditures			<u><u>\$3,432,238</u></u>

N- Direct Award

N/A- Pass through entity number not available

See accompanying notes to the Schedule of Federal Awards Expenditures

**HOCKING COUNTY FINANCIAL CONDITION
HOCKING COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FEDERAL FUNDS NOT REPORTED

Certain federal funds received by the Hocking County Department of Jobs and Family Services are not included in this schedule due to the fact that the funds are both reported and audited at the State of Ohio level of government.

NOTE C - MATCHING FUNDS

Certain federal programs require that the County contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditures of non-federal matching funds is not included on the schedule.

NOTE D - COMMUNITY DEVELOPMENT GRANT PROGRAM

Hocking County administers a loan program with funds provided by the U.S. Department of Housing and Urban Development, through the Ohio Department of Development, under the Community Development Block CHIP Grant Program. The purpose of this program is to provide loans to low and moderate income families for building improvements. The loans are provided as declining mortgage loans with the intent that they do not have to repay the loans unless they leave the residence before ten years. As of December 31, 2004, the total amount of loans outstanding was \$120,327.

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Ohio Society of Certified Public Accountants

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

To the Offices, Boards and
Commissioners of Hocking County
1 East Main Street
Logan, Ohio 43138

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hocking County, Ohio, (the County) as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 20, 2005. We did not audit the financial statements of the County's discretely presented component units, Hocking Valley Industries, Inc. and the Hocking Valley Community Hospital. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for Hocking Valley Industries, Inc. and Hocking Valley Community Hospital, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

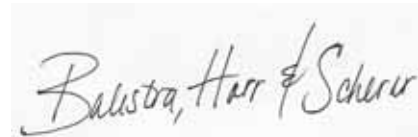
We noted certain matters that we reported to the management of the County in a separate letter dated June 20, 2005.

Board of County Commissioners
Hocking County
Logan, Ohio

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

Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

June 20, 2005

BALESTRA, HARR & SCHERER, CPAs, INC.
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**Report on Compliance With Requirements Applicable to Each Major Program and
on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Offices, Boards and
Commissioners of Hocking County
1 East Main Street
Logan, Ohio 43138

Compliance

We have audited the compliance of Hocking County, Ohio, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

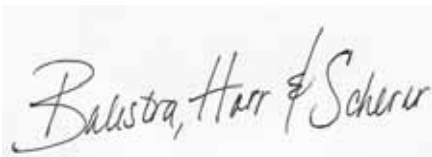
In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

June 20, 2005

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**HOCKING COUNTY FINANCIAL CONDITION
HOCKING COUNTY
DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR-S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs= Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction Grant, CFDA #20.205 Workforce Investment Act Cluster, CFDA #17.258, 17.259 & 17.260
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**HOCKING COUNTY FINANCIAL CONDITION
HOCKING COUNTY
DECEMBER 31, 2004**

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

Finding Number	None
----------------	------

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

HOCKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 4, 2005**