Hocking County Financial Condition

Hocking County

Single Audit

January 1, 2008 Through December 31, 2008

Fiscal Year Audited Under GAGAS: 2008

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Mary Taylor, CPA
Auditor of State

Board of County Commissioners
Hocking County
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We have reviewed the *Independent Auditor's Report* of Hocking County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 23, 2009

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Hocking County Financial Condition
Hocking County, Ohio

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To the Offices, Boards and
Commissioners of Hocking County
1 East Main Street
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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 Financial Condition, Hocking County, Ohio (the County), as of and for the year ended December 31, 2008, 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 the Comptroller of the United States' *Government Auditing Standards.* Those standards require that we plan and perform the audit to reasonably assure 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Hocking County Financial Condition, Hocking County, Ohio, as of December 31, 2008, 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 23, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting 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.

As described in Note 3, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* and Statement No. 50, *Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27.*

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

June 23, 2009

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, 2008. 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 2008 are as follows:

Overall:

Total net assets decreased $305,785 virtually all in governmental activities.

Total revenue was $24,855,900 in 2008.

Total program expenses were $25,161,685 in 2008.

Long term debt and other obligations decreased to $2,297,830 in 2008 from $2,299,102 in 2007. The decrease was due primarily to debt service payments during 2008 and was partially offset by new debt issuances.

Governmental Activities:

Liabilities increased $149,148 from 2007, while total assets decreased by $141,065.

Total revenue was $24,680,829 in 2008, while program expenses were $24,971,042.

Program expenses were primarily composed of human services, public works, health, public safety, legislative and executive, and judicial where expenses were $7,546,828, $4,240,952, $4,101,364, $3,261,076, $3,190,519, and $1,752,404, respectively, in 2008.

Business-Type Activities:

Program revenues were $175,071 for business-type activities, while corresponding expenses were $190,643.

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 and Developmentally Disabled Fund, and the Emergency Medical Services Fund are the major funds for the County.

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader, for the County as a whole, whether the *financial position* of the County has improved. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required or mandated programs and other factors.

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

The analysis of the County's major funds begins on page 8. Fund financial statements provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, the Motor Vehicle Gas Tax Fund, the Human Services Fund, the Mentally Retarded and 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.

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 2008 compared to the prior year:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Totals	
Assets	2008	2007 *	2008	2007	2008	2007
Current & Other Assets	$ 19,889,215	$ 20,168,159	$ 110,798	$ 75,011	$ 20,000,013	$ 20,243,170
Capital Assets	19,687,094	19,549,215	1,423,016	1,480,653	21,110,110	21,029,868
Total Assets	39,576,309	39,717,374	1,533,814	1,555,664	41,110,123	41,273,038
Liabilities						
Long-Term Liabilities	1,808,722	1,802,335	489,108	496,767	2,297,830	2,299,102
Current and Other Liabilities	5,695,692	5,552,931	3,114	1,733	5,698,806	5,554,664
Total Liabilities	7,504,414	7,355,266	492,222	498,500	7,996,636	7,853,766
Net Assets						
Invested in Capital Assets						
Net of Debt	18,689,230	18,512,182	940,016	988,953	19,629,246	19,501,135
Restricted	10,366,921	10,966,878	-	-	10,366,921	10,966,878
Unrestricted	3,015,744	2,883,048	101,576	68,211	3,117,320	2,951,259
Total Net Assets	$ 32,071,895	$ 32,362,108	$ 1,041,592	$ 1,057,164	$ 33,113,487	$ 33,419,272

* As restated – See Note 21 of the notes to the basic financial statements.

Total assets decreased by $162,915. The primary reasons for the decrease in total assets are a decrease in intergovernmental receivables which was partially offset by an increase in capital assets and an increase in materials and supplies inventory. Capital assets in the governmental activities increased $137,879 from 2007 to 2008, due to additions which were partially offset by disposals and depreciation expense. Capital assets in the business-type activities decreased $57,637 from 2007 to 2008, primarily due to depreciation expense.

Total liabilities increased $142,870. This increase is due primarily to payroll related liabilities, which increased as a result of increased employee salaries and benefits costs, such as insurance premium increases and the timing of the payroll which resulted in a larger accrual.

Business-type revenues of $175,071 were insufficient to cover expenses of $190,643 resulting in a decrease in net assets of $15,572 from 2007 to 2008.

Table 2 shows the changes in net assets for fiscal year 2008 and 2007.

Table 2
Changes in Net Assets

	2008			2007		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues:						
Charges for Services and Sales	$ 2,747,887	$ 163,329	$ 2,911,216	$ 2,785,944	$ 168,394	$ 2,954,338
Operating Grants and Contributions	11,642,211	-	11,642,211	10,497,525	-	10,497,525
Capital Grants and Contributions	70,448	11,742	82,190	179,862	10,949	190,811
Total Program Revenues	14,460,546	175,071	14,635,617	13,463,331	179,343	13,642,674
General Revenues:						
Property Taxes	5,420,433	-	5,420,433	5,154,925	-	5,154,925
Sales Taxes	2,849,241	-	2,849,241	2,877,943	-	2,877,943
Grants and Entitlements	889,082	-	889,082	619,178	-	619,178
Interest Earnings	540,274	-	540,274	740,658	-	740,658
Miscellaneous	521,253	-	521,253	612,722	-	612,722
Total General Revenues	10,220,283	-	10,220,283	10,005,426	-	10,005,426
Total Revenues	24,680,829	175,071	24,855,900	23,468,757	179,343	23,648,100
Program Expenses						
General Government:						
Legislative and Executive	3,190,519	-	3,190,519	2,939,957	-	2,939,957
Judicial	1,752,404	-	1,752,404	1,593,566	-	1,593,566
Public Safety	3,261,076	-	3,261,076	2,892,952	-	2,892,952
Public Works	4,240,952	-	4,240,952	4,305,240	-	4,305,240
Health	4,101,364	-	4,101,364	3,276,056	-	3,276,056
Human Services	7,546,828	-	7,546,828	7,665,934	-	7,665,934
Economic Development and Assistance	495,571	-	495,571	493,548	-	493,548
Conservation and Recreation	254,338	-	254,338	249,499	-	249,499
Other	68,078	-	68,078	71,400	-	71,400
Intergovernmental	12,378	-	12,378	12,982	-	12,982
Interest and Fiscal Charges	47,534	-	47,534	55,590	-	55,590
Wastewater Treatment	-	190,643	190,643	-	186,909	186,909
Total Expenses	24,971,042	190,643	25,161,685	23,556,724	186,909	23,743,633
Decrease in Net Assets	(290,213)	(15,572)	(305,785)	(87,967)	(7,566)	(95,533)
Net Assets - Beginning of Year *	32,362,108	1,057,164	33,419,272	32,450,075	1,064,730	33,514,805
Net Assets - End of Year	$ 32,071,895	$ 1,041,592	$ 33,113,487	$ 32,362,108	$ 1,057,164	$ 33,419,272

* As restated – See Note 21 of the notes to the basic financial statements.

Governmental net assets decreased $290,213 from 2007 to 2008 due primarily to increases in expenditures for health and public safety of $825,308 and $368,124, respectively, which were partially offset by increases in operating grants and contributions to cover program expense increases. Increases in health were due primarily to increased expenses in MR/DD programs resulting from higher employee costs, severance payouts, increased contractual services expenses, and increased matching requirements for federal funds. Public safety increased primarily as a result of increased employee costs.

For business-type activities, charges for services and sales decreased $5,065, capital grants and contributions increased $793, and wastewater treatment expenses increased $3,734, resulting in a slight decrease in net assets of $15,572.

The County receives diverse types of revenues to provide for the vast number of programs provided by the County. Operating grants and contributions provide 47% of total revenues for governmental activities. Property taxes and sales taxes provide 22% and 12% of total revenues for governmental activities, respectively.

Human services expenses comprise 30% of total expenses for governmental activities. Public works, health, public safety, and general government legislative and executive comprise 17%, 16%, 13% and 13%, respectively, of total expenses for governmental activities.

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

Table 3
Total Cost of Program Services
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
General Government - Legislative and Executive	$ 3,190,519	$ 2,939,957	$ 2,168,532	$ 1,949,894
General Government - Judicial	1,752,404	1,593,566	851,734	649,910
Public Safety	3,261,076	2,892,952	2,079,805	1,793,145
Public Works	4,240,952	4,305,240	1,812,196	1,665,719
Health	4,101,364	3,276,056	1,385,958	898,375
Human Services	7,546,828	7,665,934	1,715,483	2,642,351
Economic Development and Assistance	495,571	493,548	177,068	180,609
Conservation and Recreation	254,338	249,499	215,566	204,995
Other	68,078	71,400	57,700	58,650
Intergovernmental	12,378	12,982	10,491	10,664
Interest and Fiscal Charges	47,534	55,590	35,963	39,081
Total Expenses	$ 24,971,042	$ 23,556,724	$ 10,510,496	$ 10,093,393

58% of governmental activities are supported through program revenues.

Business-Type Activities

Business-type activities include wastewater treatment.

Overall net assets decreased $15,572 from 2007 to 2008. Charges for services and sales accounted for $163,329 of total revenues of $175,071.

The County's Funds

Information about the County's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of $25,752,055 and expenditures and other uses of $25,848,804. The net change in fund balance for the year was most significant in the Mentally Retarded and Developmentally Disabled Fund, which experienced a decrease in fund balance of $246,215 or 13.5% partially due to a decrease in taxes revenue of $54,846 and an increase in health expenditures of $504,057 which was partially offset by an increase in intergovernmental revenue of $152,084.

The General Fund experienced a slight decrease in fund balance of $10,264 or 0.4% partially due to a decrease in interest revenue of $216,028 and increases in expenditures for legislative and executive, judicial and public safety of $119,739, $116,252 and $146,847, respectively, which were partially offset by an increase in intergovernmental revenue of $196,786 and a decrease in transfers out of $374,345.

The Motor Vehicle Gas Tax Fund experienced an increase in fund balance of $85,690 or 5.3% partially due to an increase in intergovernmental revenue of $984,511 and a decrease in public works expenditures of $271,503, which was partially offset by an increase in capital outlay expenditures of $718,000.

The Human Services Fund experienced a decrease in fund balance of $48,083, where the fund balance went from $708,899 in 2007 to $660,816 for 2008.

The Emergency Medical Services Fund experienced a slight decrease in fund balance of $1,478 or 0.1% due to a decrease in taxes revenue of $57,035, a decrease in fees, license and permits revenue of $56,058 and an increase in health expenditures of $52,321, which was partially offset by an increase in intergovernmental revenue of $36,501.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008 the County amended its General Fund budget numerous times, none significant.

For the General Fund, budget basis actual revenue and other financing sources were $6,814,251, above final budget estimates of $6,773,793. Of this $40,458 difference, tax revenue was $200,424 above final estimates, charges for services was $157,479 below final estimates, interest revenue was $92,883 below final estimates, and various revenue categories made up the remaining difference.

Budget basis actual expenditures and other financing uses were $6,820,576, below final budget estimates of $7,319,832. Of this $499,256 difference, general government legislative and executive was $63,198 below final estimates, public safety was $306,082 below final estimates, human services was $51,103 below final estimates, transfers out were $50,113 below final estimates, and various expenditure and other financing uses categories made up the remaining difference. Total actual expenditures and other financing uses on the budget basis (cash outlays plus encumbrances) were $6,325 above revenues and other financing sources.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008 the County had $21,110,110 (net of accumulated depreciation) invested in land, land improvements, buildings, machinery and equipment, vehicles, infrastructure, a wastewater treatment plant and collection system, $19,687,094 in governmental activities. Additional information regarding capital assets is shown in Note 8 to the basic financial statements. Tables 4.1 and 4.2 show fiscal 2008 and 2007 balances by governmental activities and business-type activities:

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

	2008	2007 *
Land	$ 797,610	$ 721,313
Land Improvements	41,333	35,000
Buildings	832,464	800,430
Machinery and Equipment	1,725,477	1,475,673
Vehicles	749,733	723,892
Infrastructure	15,540,477	15,792,907
Total	$ 19,687,094	$ 19,549,215

*As Restated - See Note 21

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

	2008	2007
Land	$ 29,000	$ 29,000
Wastewater Treatment Plant	143,745	155,277
Collection System	1,250,271	1,296,376
Total	$ 1,423,016	$ 1,480,653

Debt

At December 31, 2008 the County had $958,294 in governmental activities bonds and long-term notes, $167,364 due within one year. At December 31, 2008, the County had $483,000 in business-type activity bonds, $9,300 due within one year.

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

Table 5
Outstanding Debt At December 31
Governmental Activities

	2008	2007
General Obligation Bonds	$ 295,000	$ 345,000
Long Term Notes	621,394	581,135
Special Assessment Bonds	41,900	48,100
Total	$ 958,294	$ 974,235

Table 6
Outstanding Debt At December 31
Business-Type Activities

	2008	2007
Revenue Bonds	$ 483,000	$ 491,700

All general obligation bonds, long-term notes and special assessment bonds outstanding for governmental activities are general obligations of the County for which the full faith and credit of the County is pledged for repayment. For additional information regarding bonds and long-term notes payable please see Note 14 to the basic financial statements.

Capital Lease Obligations

During fiscal year 2008, the County entered into a capital lease agreement for two 2008 Ford Crown Victorias for the Sheriff's Office. These leases will be paid from the General Fund (Governmental Activities). The lease agreements run through the fiscal year ending 2010 and are 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, 2008 were $39,570. Of this balance $25,621 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, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information contact Kenneth R. Wilson, County Auditor at Hocking County, 1 East Main Street, Logan, Ohio 43138, phone at (740) 385-2127, or e-mail at kwilson@co.hocking.oh.us.

Hocking County

Statement of Net Assets

As of December 31, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Hospital	Adult Activities Workshop
Assets					
Equity in Pooled Cash and Cash Equivalents	$ 10,460,797	$ 81,625	$ 10,542,422	$ 1,610,081	$ 148,987
Receivables:					
Taxes	5,314,012	-	5,314,012	-	-
Accounts, Net	35,897	29,173	65,070	4,620,184	-
Interest	-	-	-	10,899	-
Special Assessments	45,334	-	45,334	-	-
Intergovernmental	3,746,500	-	3,746,500	-	-
Materials and Supplies Inventory	267,709	-	267,709	279,378	15,698
Prepaid Items	-	-	-	82,351	1,000
Asset whose use is limited:					
Under bond indenture agreement	-	-	-	330,000	-
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	18,966	-	18,966	-	-
Unamortized Financing Costs	-	-	-	50,610	-
Intangible Asset, Net	-	-	-	123,361	-
Nondepreciable Capital Assets	797,610	29,000	826,610	82,601	-
Depreciable Capital Assets, Net	18,889,484	1,394,016	20,283,500	12,568,371	44,435
Total Assets	39,576,309	1,533,814	41,110,123	19,757,836	210,120
Liabilities					
Accounts Payable	436,985	1,358	438,343	1,350,967	4,199
Accrued Wages and Benefits Payable	286,129	944	287,073	1,988,381	-
Intergovernmental Payable	390,255	812	391,067	-	-
Retainage Payable	18,966	-	18,966	-	-
Matured Compensated Absences Payable	51,665	-	51,665	-	-
Unearned Revenue	4,511,692	-	4,511,692	-	-
Line-of-Credit	-	-	-	719,454	-
Long-Term Liabilities:					
Due Within One Year	313,817	10,725	324,542	1,004,152	1,267
Due in More Than One Year	1,494,905	478,383	1,973,288	3,394,908	-
Total Liabilities	7,504,414	492,222	7,996,636	8,457,862	5,466
Net Assets					
Invested in Capital Assets, Net of Related Debt	18,689,230	940,016	19,629,246	8,201,302	43,168
Restricted for:					
Debt Service	89,615	-	89,615	-	-
Capital Projects	419,574	-	419,574	-	-
Motor Vehicle Gas Tax	2,702,495	-	2,702,495	-	-
Human Services	824,683	-	824,683	-	-
Mentally Retarded and Developmentally Disabled	1,668,186	-	1,668,186	-	-
Emergency Medical Services	1,231,917	-	1,231,917	-	-
Other Purposes	3,430,451	-	3,430,451	330,000	-
Unrestricted	3,015,744	101,576	3,117,320	2,768,672	161,486
Total Net Assets	$ 32,071,895	$ 1,041,592	$ 33,113,487	$ 11,299,974	$ 204,654

See accompanying notes to the basic financial statements.

Hocking County
Statement of Activities
For the Year Ended December 31, 2008

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	$ 3,190,519	$ 387,523	$ 627,895	$ 6,569
Judicial	1,752,404	746,361	142,416	11,893
Public Safety	3,261,076	388,268	793,003	-
Public Works	4,240,952	262,886	2,165,870	-
Health	4,101,364	292,796	2,381,792	40,818
Human Services	7,546,828	572,734	5,247,443	11,168
Economic Development and Assistance	495,571	38,528	279,975	-
Conservation and Recreation	254,338	38,772	-	-
Other	68,078	10,378	-	-
Intergovernmental	12,378	1,887	-	-
Interest and Fiscal Charges	47,534	7,754	3,817	
Total Governmental Activities	24,971,042	2,747,887	11,642,211	70,448
Business-Type Activities				
Wastewater Treatment	190,643	163,329	-	11,742
Total Business-Type Activities	190,643	163,329	-	11,742
Total Primary Government	$ 25,161,685	$ 2,911,216	$ 11,642,211	$ 82,190
Component Units				
Hospital	$ 32,232,948	$ 31,545,726	$ 3,519	$ 231,520
Adult Activities Workshop	1,108,858	693,825	431,326	-
Total Component Units	$ 33,341,806	$ 32,239,551	$ 434,845	$ 231,520

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
Interest Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - as restated - See Note 21

Net Assets End of Year

See accompanying notes to the basic financial statements.

continued

Net (Expense) Revenue and Changes in Net Assets			Component Units	
Governmental Activities	**Business-Type Activities**	**Total**	**Hospital**	**Adult Activities Workshop**
$ (2,168,532)	$ -	$ (2,168,532)	$ -	$ -
(851,734)	-	(851,734)	-	-
(2,079,805)	-	(2,079,805)	-	-
(1,812,196)	-	(1,812,196)	-	-
(1,385,958)	-	(1,385,958)	-	-
(1,715,483)	-	(1,715,483)	-	-
(177,068)	-	(177,068)	-	-
(215,566)	-	(215,566)	-	-
(57,700)	-	(57,700)	-	-
(10,491)	-	(10,491)	-	-
(35,963)	-	(35,963)	-	-
(10,510,496)	-	(10,510,496)	-	-
-	(15,572)	(15,572)	-	-
-	(15,572)	(15,572)		
(10,510,496)	(15,572)	(10,526,068)		
			(452,183)	-
			-	16,293
			(452,183)	16,293
1,901,219	-	1,901,219	-	-
3,519,214	-	3,519,214	-	-
2,280,085	-	2,280,085	-	-
569,156	-	569,156	-	-
889,082	-	889,082	-	-
540,274	-	540,274	-	-
521,253	-	521,253	10,390	-
10,220,283	-	10,220,283	10,390	-
(290,213)	(15,572)	(305,785)	(441,793)	16,293
32,362,108	1,057,164	33,419,272	11,741,767	188,361
$ 32,071,895	$ 1,041,592	$ 33,113,487	$ 11,299,974	$ 204,654

Hocking County
Balance Sheet
Governmental Funds
As of December 31, 2008

	General	Motor Vehicle Gas Tax	Human Services	Mentally Retarded and Developmentally Disabled	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	$ 2,391,386	$ 1,009,519	$ 135,052	$ 1,596,729	$ 1,241,156	$ 4,086,955	$ 10,460,797
Receivables:							
Taxes	2,467,139	-	-	1,373,891	1,107,721	365,261	5,314,012
Accounts, Net	-	-	-	-	35,897	-	35,897
Intergovernmental	390,823	1,760,641	1,126,529	156,136	52,623	259,748	3,746,500
Interfund	15,000	-	-	25,000	-	-	40,000
Special Assessments	-	-	-	-	-	45,334	45,334
Due from Other Funds	21,169	1,655	-	-	-	96,084	118,908
Materials and Supplies Inventory	-	267,709	-	-	-	-	267,709
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	-	18,966	-	-	-	-	18,966
Total Assets	$ 5,285,517	$ 3,058,490	$ 1,261,581	$ 3,151,756	$ 2,437,397	$ 4,853,382	$ 20,048,123
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	$ 40,554	$ 61,408	$ 46,519	$ 19,271	$ 17,216	$ 252,017	$ 436,985
Accrued Wages and Benefits Payable	90,321	32,094	49,245	25,600	35,142	53,727	286,129
Retainage Payable	-	18,966	-	-	-	-	18,966
Matured Compensated Absences Payable	-	-	-	46,850	-	4,815	51,665
Due to Other Funds	-	-	75,894	1,655	-	41,359	118,908
Intergovernmental Payable	104,820	34,055	89,499	42,168	38,336	81,377	390,255
Interfund Payable	-	-	-	-	-	40,000	40,000
Deferred Revenue	2,387,853	1,216,078	339,608	1,443,364	1,157,327	308,645	6,852,875
Total Liabilities	2,623,548	1,362,601	600,765	1,578,908	1,248,021	781,940	8,195,783
Fund Balances							
Reserved for Encumbrances	30,445	74,183	33,930	19,619	13,631	108,419	280,227
Unreserved, Undesignated, Reported in:							
General Fund	2,631,524	-	-	-	-	-	2,631,524
Special Revenue Funds	-	1,621,706	626,886	1,553,229	1,175,745	3,453,969	8,431,535
Debt Service Funds	-	-	-	-	-	103,072	103,072
Capital Projects Funds	-	-	-	-	-	405,982	405,982
Total Fund Balances	2,661,969	1,695,889	660,816	1,572,848	1,189,376	4,071,442	11,852,340
Total Liabilities and Fund Balances	$ 5,285,517	$ 3,058,490	$ 1,261,581	$ 3,151,756	$ 2,437,397	$ 4,853,382	$ 20,048,123

See accompanying notes to the basic financial statements.

Hocking County

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
As of December 31, 2008

Total Governmental Fund Balances		$ 11,852,340
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.		19,687,094
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	531,380	
Intergovernmental	1,809,803	
Total		2,341,183
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	(810,858)	
Long Term Notes	(621,394)	
General Obligation Bonds	(295,000)	
Special Assessment Bonds	(41,900)	
Capital Lease Obligations	(39,570)	
Total		(1,808,722)
Net Assets of Governmental Activities		$ 32,071,895

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, 2008

	General	Motor Vehicle Gas Tax	Human Services	Mentally Retarded and Developmentally Disabled	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	$ 4,151,874	$ -	$ -	$ 1,157,174	$ 993,820	$ 1,767,547	$ 8,070,415
Intergovernmental	915,400	4,020,643	3,314,360	807,865	134,101	3,933,588	13,125,957
Charges for Services	962,772	167,104	81,344	-	394,647	550,984	2,156,851
Fees, Licenses and Permits	1,725	-	-	-	-	80,420	82,145
Fines and Forfeitures	166,472	45,159	-	-	-	290,250	501,881
Special Assessments	-	-	-	-	-	7,010	7,010
Interest	491,186	10,096	-	-	-	38,992	540,274
Miscellaneous	84,636	22,690	157,085	16,878	-	239,964	521,253
Total Revenues	6,774,065	4,265,692	3,552,789	1,981,917	1,522,568	6,908,755	25,005,786
Expenditures							
Current:							
General Government:							
Legislative and Executive	2,067,338	-	-	-	-	1,039,360	3,106,698
Judicial	1,496,914	-	-	-	-	266,520	1,763,434
Public Safety	1,922,362	-	-	-	-	1,301,823	3,224,185
Public Works	41,357	3,549,509	-	-	-	-	3,590,866
Health	70,589	-	-	2,223,132	1,524,046	246,179	4,063,946
Human Services	362,735	-	3,629,142	-	-	3,587,070	7,578,947
Conservation and Recreation	254,338	-	-	-	-	-	254,338
Economic Development and Assistance	35,341	-	-	-	-	460,310	495,651
Other	68,078	-	-	-	-	-	68,078
Capital Outlay	28,972	718,000	-	-	-	181,539	928,511
Intergovernmental	12,378	-	-	-	-	-	12,378
Debt Service:							
Principal	53,301	77,520	-	-	-	84,636	215,457
Interest and Fiscal Charges	1,913	4,973	-	-	-	40,648	47,534
Total Expenditures	6,415,616	4,350,002	3,629,142	2,223,132	1,524,046	7,208,085	25,350,023
Excess of Revenues Over (Under) Expenditures	358,449	(84,310)	(76,353)	(241,215)	(1,478)	(299,330)	(344,237)
Other Financing Sources/(Uses)							
Issuance of Loans	-	100,000	-	-	-	34,394	134,394
Inception of Capital Lease	41,894	-	-	-	-	-	41,894
Proceeds from Sale of Capital Assets	300	70,000	-	-	-	900	71,200
Transfers In	-	-	96,403	-	-	402,378	498,781
Transfers Out	(410,907)	-	(68,133)	(5,000)	-	(14,741)	(498,781)
Total Other Financing Sources/(Uses)	(368,713)	170,000	28,270	(5,000)	-	422,931	247,488
Net Changes in Fund Balances	(10,264)	85,690	(48,083)	(246,215)	(1,478)	123,601	(96,749)
Fund Balances Beginning of Year	2,672,233	1,610,199	708,899	1,819,063	1,190,854	3,947,841	11,949,089
Fund Balances End of Year	$ 2,661,969	$ 1,695,889	$ 660,816	$ 1,572,848	$ 1,189,376	$ 4,071,442	$ 11,852,340

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, 2008

Net Change in Fund Balances - Total Governmental Funds		$ (96,749)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Asset Additions	2,011,842	
Current Year Depreciation	(1,754,770)	
Total		257,072
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 proceeds from the sale of capital assets and the loss on the disposal of capital assets.		
Proceeds from Sale of Capital Assets	(71,200)	
Loss on Disposal of Capital Assets	(47,993)	
Total		(119,193)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	199,259	
Intergovernmental	(524,215)	
Total		(324,956)
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.		(134,394)
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.		150,335
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.		65,122
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.		(41,894)
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	(45,556)	
Total		(45,556)
Net Change in Net Assets of Governmental Activities		$ (290,213)

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, 2008

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	$ 3,969,900	$ 3,969,900	$ 4,170,324	$ 200,424
Charges for Services	1,080,272	1,080,272	922,793	(157,479)
Licenses and Permits	2,000	2,000	1,725	(275)
Fines and Forfeitures	175,650	175,650	180,394	4,744
Intergovernmental	884,000	883,531	922,819	39,288
Interest	595,000	595,000	502,117	(92,883)
Other	62,440	62,440	103,579	41,139
Total Revenues	6,769,262	6,768,793	6,803,751	34,958
Expenditures				
Current:				
General Government:				
Legislative and Executive	2,067,053	2,122,379	2,059,181	63,198
Judicial	1,496,319	1,528,654	1,491,120	37,534
Public Safety	2,173,884	2,227,831	1,921,749	306,082
Public Works	42,480	42,090	40,887	1,203
Health	64,732	84,342	80,436	3,906
Human Services	393,355	416,550	365,447	51,103
Conservation and Recreation	237,506	254,634	254,338	296
Community and Economic Development	72,188	42,813	35,341	7,472
Other	71,335	71,335	68,078	3,257
Intergovernmental	12,970	12,970	12,378	592
Debt Service:				
Principal Retirements	53,301	53,301	53,301	-
Interest	1,913	1,913	1,913	-
Total Expenditures	6,687,036	6,858,812	6,384,169	474,643
Excess of Revenues Over (Under) Expenditures	82,226	(90,019)	419,582	509,601
Other Financing Sources and Uses				
Advances In	-	-	10,500	10,500
Transfers In	5,000	5,000	-	(5,000)
Transfers Out	(530,189)	(461,020)	(410,907)	50,113
Advances Out	-	-	(25,500)	(25,500)
Total Other Financing Sources and Uses	(525,189)	(456,020)	(425,907)	30,113
Net Change in Fund Balance	(442,963)	(546,039)	(6,325)	539,714
Fund Balance at Beginning of Year	2,245,690	2,245,690	2,245,690	-
Prior Year Encumbrances Appropriated	117,557	117,557	117,557	-
Fund Balance at End of Year	$ 1,920,284	$ 1,817,208	$ 2,356,922	$ 539,714

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, 2008

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Charges for Services	$ 150,300	$ 150,300	$ 165,457	$ 15,157
Fines and Forfeitures	45,000	45,000	46,094	1,094
Intergovernmental	3,500,000	3,500,000	3,513,827	13,827
Interest	18,000	18,000	10,597	(7,403)
Other	186,700	186,700	22,690	(164,010)
Total Revenues	3,900,000	3,900,000	3,758,665	(141,335)
Expenditures				
Current:				
Public Works	3,879,406	4,254,678	3,783,310	471,368
Debt Service:				
Principal Retirements	89,027	77,520	77,520	-
Interest	4,973	4,973	4,973	-
Total Expenditures	3,973,406	4,337,171	3,865,803	471,368
Net Change in Fund Balance	(73,406)	(437,171)	(107,138)	330,033
Fund Balance at Beginning of Year	864,406	864,406	864,406	-
Prior Year Encumbrances Appropriated	191,948	191,948	191,948	-
Fund Balance at End of Year	$ 982,948	$ 619,183	$ 949,216	$ 330,033

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, 2008

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for Services	$ 82,143	$ 82,143	$ 81,344	$ (799)
Intergovernmental	4,083,804	3,842,793	3,097,917	(744,876)
Other	147,857	147,857	157,085	9,228
Total Revenues	4,313,804	4,072,793	3,336,346	(736,447)
Expenditures				
Current:				
Human Services	3,916,933	3,702,274	3,702,274	-
Total Expenditures	3,916,933	3,702,274	3,702,274	-
Excess of Revenues Over (Under) Expenditures	396,871	370,519	(365,928)	(736,447)
Other Financing Sources and Uses				
Transfers In	421,069	421,069	96,403	(324,666)
Transfers Out	-	(68,133)	(68,133)	-
Total Other Financing Sources and Uses	421,069	352,936	28,270	(324,666)
Net Change in Fund Balance	817,940	723,455	(337,658)	(1,061,113)
Fund Balance at Beginning of Year	329,171	329,171	329,171	-
Prior Year Encumbrances Appropriated	138,900	138,900	138,900	-
Fund Balance at End of Year	$ 1,286,011	$ 1,191,526	$ 130,413	$ (1,061,113)

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)
Mentally Retarded and Developmentally Disabled Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$ 1,189,934	$ 1,189,934	$ 1,157,174	$ (32,760)
Intergovernmental	714,666	714,666	824,875	110,209
Other	30,800	30,800	16,878	(13,922)
Total Revenues	1,935,400	1,935,400	1,998,927	63,527
Expenditures				
Current:				
Health	2,268,327	2,343,383	2,187,657	155,726
Total Expenditures	2,268,327	2,343,383	2,187,657	155,726
Excess of Revenues Under Expenditures	(332,927)	(407,983)	(188,730)	219,253
Other Financing Uses				
Transfers Out	(60,000)	(7,500)	(5,000)	2,500
Advances Out	-	-	(25,000)	(25,000)
Total Other Financing Uses	(60,000)	(7,500)	(30,000)	(22,500)
Net Change in Fund Balance	(392,927)	(415,483)	(218,730)	196,753
Fund Balance at Beginning of Year	1,753,693	1,753,693	1,753,693	-
Prior Year Encumbrances Appropriated	25,516	25,516	25,516	-
Fund Balance at End of Year	$ 1,386,282	$ 1,363,726	$ 1,560,479	$ 196,753

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, 2008

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$ 926,200	$ 926,200	$ 993,820	$ 67,620
Charges for Services	-	-	433,009	433,009
Intergovernmental	100,000	100,000	131,084	31,084
Total Revenues	1,026,200	1,026,200	1,557,913	531,713
Expenditures				
Current:				
Health	2,027,743	2,069,729	1,532,806	536,923
Total Expenditures	2,027,743	2,069,729	1,532,806	536,923
Net Change in Fund Balance	(1,001,543)	(1,043,529)	25,107	1,068,636
Fund Balance at Beginning of Year	1,136,155	1,136,155	1,136,155	-
Prior Year Encumbrances Appropriated	44,971	44,971	44,971	-
Fund Balance at End of Year	$ 179,583	$ 137,597	$ 1,206,233	$ 1,068,636

See accompanying notes to the basic financial statements.

Hocking County
Statement of Fund Net Assets
Proprietary Fund
As of December 31, 2008

Assets	**Sewer Fund**
Current Assets	
Equity in Pooled Cash	
and Cash Equivalents	$ 81,625
Accounts Receivable (net of	
allowance, where applicable)	29,173
Total Current Assets	110,798
Noncurrent Assets	
Non-depreciable Capital Assets	29,000
Depreciable Capital Assets, Net	1,394,016
Total Noncurrent Assets	1,423,016
Total Assets	1,533,814
Liabilities	
Current Liabilities	
Accounts Payable	1,358
Accrued Wages and Benefits Payable	944
Intergovernmental Payable	812
Compensated Absences - Current	1,425
Revenue Bonds - Current	9,300
Total Current Liabilities	13,839
Noncurrent Liabilities	
Compensated Absences, Net of Current	4,683
Revenue Bonds, Net of Current	473,700
Total Noncurrent Liabilities	478,383
Total Liabilities	492,222
Net Assets	
Invested in Capital Assets, Net of Related Debt	940,016
Unrestricted	101,576
Total Net Assets	$ 1,041,592

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, 2008

	Sewer Fund
Operating Revenues	
Charges for Services	$ 163,329
Total Operating Revenues	163,329
Operating Expenses	
Salaries and Wages	34,265
Fringe Benefits	12,953
Contractual Services	42,587
Depreciation	57,567
Materials and Supplies	9,773
Other	8,672
Total Operating Expenses	165,817
Operating Loss	(2,488)
Nonoperating Expenses	
Interest and Fiscal Charges	(24,756)
Loss on Disposal of Capital Asset	(70)
Total Nonoperating Expenses	(24,826)
Change in Net Assets Before Capital Contributions	(27,314)
Capital Contributions - Assessments	11,742
Total Capital Contributions	11,742
Change in Net Assets	(15,572)
Net Assets at Beginning of Year	1,057,164
Net Assets at End of Year	$ 1,041,592

See accompanying notes to the basic finanical statements.

Hocking County
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2008

	Sewer Fund
Increase in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 161,105
Cash Payments to Suppliers for Goods and Services	(51,002)
Cash Payments for Other Operating Expenses	(8,672)
Cash Payments to Employees for Services and Benefits	(46,154)
Net Cash Provided by Operating Activities	55,277
Cash Flows from Capital and Related Financing Activities:	
Capital Contributions- Special Assessments	11,742
Principal Payments	(8,700)
Interest Payments	(24,756)
Net Cash Used by Capital and Related Financing Activities	(21,714)
Net Increase in Cash and Cash Equivalents	33,563
Cash and Cash Equivalents at Beginning of Year	48,062
Cash and Cash Equivalents at End of Year	$ 81,625
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	$ (2,488)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	57,567
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(2,224)
Decrease in Intergovernmental Payable	(141)
Increase in Compensated Absences	1,041
Increase in Accrued Wages and Benefits Payable	164
Increase in Accounts Payable	1,358
Total Adjustments	57,765
Net Cash Provided by Operating Activities	$ 55,277

See accompanying notes to the basic financial statements.

Hocking County

Statement of Fiduciary Assets and Liabilities

Agency Funds

As of December 31, 2008

Assets	
Equity in Pooled Cash and Cash Equivalents	$ 2,701,780
Cash and Cash Equivalents in Segregated Accounts	482,859
Taxes Receivable	19,876,097
Intergovernmental Receivable	1,188,801
Total Assets	$ 24,249,537
Liabilities	
Due to Other Governments	$ 22,616,583
Undistributed Monies	1,621,259
Deposits Held and Due to Others	11,695
Total Liabilities	$ 24,249,537

See accompanying notes to the basic financial statements.

NOTE 1 - REPORTING ENTITY

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

Reporting Entity: The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Hocking County, this includes the Hocking County Board of 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. Notes 22 and 23 provide 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, Inc. with staff salaries and other funds and support necessary for the operation of Hocking Valley Industries, Inc. Based on the significant services and resources provided by the County to Hocking Valley Industries, Inc. and the non-profit organization's sole purpose of providing assistance to the mentally and physically handicapped adults of Hocking County, Hocking Valley Industries, Inc. is presented as a component unit of Hocking County. Separately issued audited financial statements can be obtained from Hocking Valley Industries, Inc., 1369 East Front Street, Logan, Ohio 43138.

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.

NOTE 1 - REPORTING ENTITY - Continued

The County is associated with certain organizations, three of which are defined as jointly governed organizations, and one joint venture. These organizations are presented in Notes 17 and 18 to the basic financial statements. These organizations are:

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Government-Wide Financial Statements

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Financial Statements

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

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.

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

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

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

Proprietary Funds

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2008. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, fines and forfeitures collected and distributed to other political subdivisions, and for certain County department outside bank accounts.

Measurement Focus:

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include 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 bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenues – Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and received essentially equal value, 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, 2009. Therefore six months of receivables have been recorded for these revenue types.

Deferred Revenues/Unearned Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim at December 31, 2008, but were levied to finance 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue. In addition permissive sales taxes, various State of Ohio non-reimbursable grants, local government, local government revenue assistance, gasoline tax, motor vehicle license tax, and undivided library taxes received after the sixty-day availability period have been recorded as deferred revenue. On the governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue. On the statement of net assets, the remaining portions of property taxes receivable which are not recognized as revenue are reported as unearned revenue.

Expenses/Expenditures

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Tax Budget

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

Estimated Resources

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

Appropriations

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

Budgeted Level of Expenditures

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

Encumbrances

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

During fiscal year 2008, investments were limited to STAR Ohio.

The County has invested in the State Treasury Asset Reserve (STAR Ohio) during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2008.

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments held by the Treasurer are stated at fair value using quoted market prices, except for repurchase agreements that are reported at cost.

Interest is distributed to the General Fund, the Motor Vehicle Gas Tax Fund, the Justice Assistance Grant Nonmajor Special Revenue Fund, and the Treasurer Pre-Pay Interest Nonmajor Special Revenue Fund. The interest earned during 2008 amounted to $491,186, $10,096, $38,925, and $67, respectively.

Restricted Assets: Assets are reported as restricted with limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the Motor Vehicle Gas Tax Fund represent cash held as retainage for contractors.

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

Interfund Assets and Liabilities: Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. Interfund assets and liabilities within governmental activities are eliminated on the statement of net assets.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. General obligation bonds and special assessment bonds are recognized as liabilities on the fund financial statements when due.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Other purposes restricted net assets include various grants and other resources restricted for various purposes. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the County's $10,366,921 of restricted net assets, none are restricted by enabling legislation.

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

Reserves of Fund Balances: 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 balance that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

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

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For 2008, the County implemented GASB Statement No. 50, "Pension Disclosures—an Amendment of GASB Statements No. 25 and No. 27," and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to the basic financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The application of these new standards had no effect on the financial statements, nor did their implementation require a restatement of prior year balances.

NOTE 4 - 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).
4. Certain other financing sources are recorded on a GAAP basis but are not recorded on a budget basis.
5. Advances-in and advances-out are recorded as other financing sources and uses on a budget basis as opposed to increases or decreases in interfund receivables or payables on a GAAP basis.

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

Net Changes in Fund Balances
Major Governmental Funds

	General	Motor Vehicle Gas Tax	Human Services	Mentally Retarded And Developmentally Disabled	Emergency Medical Services
GAAP Basis	$ (10,264)	$ 85,690	$ (48,083)	$ (246,215)	$ (1,478)
Increases (Decreases) Due To:					
Revenue Accruals	29,686	(507,027)	(216,443)	17,007	35,345
Expenditure Accruals	76,842	619,790	18,406	71,728	26,163
Issuance of Loans	-	(100,000)	-	-	-
Inception of Capital Lease	(41,894)	-	-	-	-
Proceeds from Sale of Capital Assets	(300)	(70,000)	-	-	-
Advances-In	10,500	-	-	-	-
Advances-Out	(25,500)	-	-	(25,000)	-
Encumbrances	(45,395)	(135,591)	(91,538)	(36,250)	(34,923)
Budget Basis	$ (6,325)	$ (107,138)	$ (337,658)	$ (218,730)	$ 25,107

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

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

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

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

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

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

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

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

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

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

NOTE 5 - DEPOSITS AND INVESTMENTS – Continued

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits. At year-end, the County's bank balance of $9,937,684 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

Investments: As of December 31, 2008, the County had the following investments and maturities:

Description	Fair Value	Investment Maturity Less Than One Year	Concentration of Credit Risk
STAR Ohio	$ 4,060,864	$ 4,060,864	100%
Total Investments	$ 4,060,864	$ 4,060,864	

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County has no policy specifically dealing with interest rate risk. The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to four years or less.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy allows the County to invest in U.S. Treasury bills and notes; certificates of deposit, fully collateralized, issued by FDIC depository banks and savings institutions in Hocking County; STAR Ohio and repurchase agreements. Investments in STAR Ohio were rated AAAm by Standard & Poor's.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County places no limit on the amount the County may invest in any one issuer. The County has invested 100% in STAR Ohio.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the County's securities are either insured and registered in the name of the County or at least registered in the name of the County. The County has no policy specifically related to custodial credit risk.

NOTE 6 - 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 2004. 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 12.5 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 preceeding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

Accrued property taxes receivables represent delinquent taxes outstanding and real, tangible personal, and public utility taxes that were measurable and unpaid as of December 31, 2008. 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 2008 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, 2008, was $11.20 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	$ 449,142,740
Commercial/Industrial	45,544,660
Public Utilities	99,700
Minerals	725,400
Tangible Personal Property	
General	841,730
Public Utility	49,096,220
Total Property Taxes	$ 545,450,450

NOTE 7 - 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 2008 amounted to $2,280,085.

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 2008 amounted to $569,156.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	Balance at January 1, 2008 *	Additions	Deletions	Balance at December 31, 2008
Governmental Activities				
Non-Depreciable Capital Assets				
Land	$ 721,313	$ 76,297	$ -	$ 797,610
Total Non-Depreciable Capital Assets	721,313	76,297	-	797,610
Depreciable Capital Assets				
Land Improvements	50,000	10,000	-	60,000
Buildings	1,601,090	80,048	(1,064)	1,680,074
Infrastructure	22,573,694	1,040,437	-	23,614,131
Vehicles	2,940,556	195,203	(31,934)	3,103,825
Machinery and Equipment	4,061,893	609,857	(668,096)	4,003,654
Total Depreciable Capital Assets	31,227,233	1,935,545	(701,094)	32,461,684
Less Accumulated Depreciation for				
Land Improvements	(15,000)	(3,667)	-	(18,667)
Buildings	(800,660)	(47,835)	885	(847,610)
Infrastructure	(6,780,787)	(1,292,867)	-	(8,073,654)
Vehicles	(2,216,664)	(168,404)	30,976	(2,354,092)
Machinery and Equipment	(2,586,220)	(241,997)	550,040	(2,278,177)
Total Accumulated Depreciation	(12,399,331)	(1,754,770)	581,901	(13,572,200)
Total Depreciable Capital Assets, Net	18,827,902	180,775	(119,193)	18,889,484
Governmental Activities Capital Assets, Net	$ 19,549,215	$ 257,072	$(119,193)	$ 19,687,094

* As restated - see Note 21. In addition, certain reclassifications were made by the County to more accurately reflect proper classifications of assets.

	Balance at January 1, 2008	Additions	Deletions	Balance at December 31, 2008
Business Type Activities				
Non-Depreciable Capital Assets				
Land	$ 29,000	$ -	$ -	$ 29,000
Total Non-Depreciable Capital Assets	29,000	-	-	29,000
Depreciable Capital Assets				
Wastewater Treatment Plant	341,079	-	-	341,079
Vehicle	11,000	-	-	11,000
Collection System	1,812,955	-	(70)	1,812,885
Total Depreciable Capital Assets	2,165,034	-	(70)	2,164,964
Less Accumulated Depreciation for				
Wastewater Treatement Plant	(185,802)	(11,532)	-	(197,334)
Vehicle	(11,000)	-	-	(11,000)
Collection System	(516,579)	(46,035)	-	(562,614)
Total Accumulated Depreciation	(713,381)	(57,567)	-	(770,948)
Total Depreciable Capital Assets, Net	1,451,653	(57,567)	(70)	1,394,016
Business Type Activities Capital Assets, Net	$ 1,480,653	$ (57,567)	$ (70)	$ 1,423,016

NOTE 8 - CAPITAL ASSETS - Continued

Depreciation expense was charged to governmental functions as follows:

Governmental Activities		
General Government		
Legislative and Executive	$	84,037
Judicial		23,256
Public Safety		113,236
Public Works		1,454,078
Health		4,810
Human Services		75,353
Total Depreciation Expense - Governmental Activities	$	1,754,770

NOTE 9 - INTERGOVERNMENTAL RECEIVABLES

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

Fund/Type	Amount
Major Funds	
General Fund	
Local Government	$ 238,919
Homestead Rollback	114,135
Other	37,769
Total General Fund	390,823
Motor Vehicle Gas Tax	
License, Gasoline & Permissive Taxes	1,751,067
Other	9,574
Total Motor Vehicle Gas Tax	1,760,641
Human Services	
Grants and Entitlements	1,126,529
Total Human Services	1,126,529
Mentally Retarded and Developmentally Disabled	
Grants and Entitlements	86,663
Homestead Rollback	69,473
Total Mentally Retarded and Developmentally Disabled	156,136
Emergency Medical Services	
Homestead Rollback	49,606
Other	3,017
Total Emergency Medical Services	52,623
Total Major Funds	3,486,752
Other Governmental Funds	
Grants and Entitlements	196,086
Homestead Rollback	14,905
Other	48,757
Total Other Governmental Funds	259,748
Total Intergovernmental Receivable - Governmental Funds	$ 3,746,500
Agency Funds	
License, Gasoline and Permissive Taxes	$ 493,721
Undivided Library Tax	575,039
Other	120,041
Total Agency Funds	$ 1,188,801

NOTE 10 - RISK MANAGEMENT

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

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

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

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

In the event of the termination of the Council, after sufficient time for payment of any potential claims and expense, any balance would be refunded to the members of the Council, pro-rated based upon their last year's contribution. During 2008, Hocking County paid $128,303 to the Council for insurance coverage. This jointly governed organization is a cost-sharing pool.

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

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

NOTE 11 - DEFINED BENEFIT RETIREMENT PLAN

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

Ohio Public Employees Retirement System

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

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

NOTE 11 - DEFINED BENEFIT RETIREMENT PLAN - Continued

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

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

D. 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) 222-5601 or 1-800-222-7377.

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, 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 2008, 2007, and 2006 member contribution rates were 10.0%, 9.5%, and 9.0%, respectively, for members in state, and local classifications. Public safety and law enforcement members contributed at a rate of 10.1%, 9.75%, and 10.1%, respectively.

The 2008, 2007 and 2006 employer contribution rate for state and local government employers was 14.0%, 13.85%, and 13.70%, respectively, of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rates were 17.4%, 17.17%, and 16.93%, respectively.

The County's contributions to OPERS for the years ended December 31, 2008, 2007, and 2006, were $1,508,236, $1,442,583, and $1,285,621, respectively. 93.2% has been contributed for 2008 and 100% for years 2007 and 2006. Of the 2008 amount, $102,556 was unpaid at December 31, 2008 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, 2008, none of the elected officials had elected social security.

NOTE 12 - POST EMPLOYMENT BENEFITS

Public Employees Retirement System

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

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

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

NOTE 12 - POST EMPLOYMENT BENEFITS - Continued

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, 2007, and 2006, local government employer units contributed at 14.0%, 13.85%, and 13.70%, respectively, of covered payroll, and public safety and law enforcement employer units contributed at 17.4%, 17.17%, and 16.93%, respectively. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units, and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. For 2007, these percentages were 5.0% for January through June and 6.0% for July through December. For 2006, this percentage was 4.5%. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. The employer contributions that were used to fund post-employment benefits were $690,716, $526,744 and $416,259 for 2008, 2007 and 2006, respectively.

D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 13 - OTHER EMPLOYEE BENEFITS

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

NOTE 14 - LONG-TERM DEBT

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

Types/Issues	Outstanding 12/31/07	Increases	Decreases	Outstanding 12/31/08	Due In One Year
General Long-Term Obligations					
General Obligation Bonds:					
1998 - 3.8 - 5.35% (Original Issue $750,000)					
Consolidated County Building Bonds	$ 345,000	$ -	$ 50,000	$ 295,000	$ 55,000
Total General Obligation Bonds	345,000	-	50,000	295,000	55,000
Long-Term Notes					
2001 - 7.0% (Original Issue $118,800)					
Land Mortgage Note	20,601	-	20,601	-	-
2003 - 4.15% (Original Issue $277,692)					
Juvenile Detention Facility Notes	238,644	-	10,777	227,867	11,251
2004 - 5.5% (Original Issue $175,000)					
Columbia Gas Building Note	159,205	-	5,838	153,367	6,188
2005 - 0.02% (Original Issue $72,000)					
OPWC Note - Murray City Bridge Replacement	36,717	-	18,176	18,541	18,541
2005 - 4.25% (Original Issue $90,000)					
REMCO Equipment Note - Wheeled Excavator	45,060	-	22,404	22,656	22,656
2005 - 0.02% (Original Issue $65,000)					
OPWC Note - CR 17 Bridge Replacement	46,174	-	12,866	33,308	13,125
2007 - 0.00% (Original Issue $34,734)					
OPWC Note - TR 317 Bridge Replacement	34,734	-	3,473	31,261	6,947
2008 - 3.9% (Original Issue $100,000)					
Citizens Bank Note - Gradall Hydraulic Excavator	-	100,000	-	100,000	20,000
2008 - 4.5% (Original Issue $20,000)					
Citizens Bank Note - Dog Warden Truck	-	20,000	-	20,000	5,000
2008 - 4.0% (Original Issue $14,394)					
Citizens Bank Note - Copiers	-	14,394	-	14,394	2,056
Total Long-Term Notes	581,135	134,394	94,135	621,394	105,764
Special Assessment Bonds:					
1996 - 5.5% (Original Issue $53,500)					
Rockbridge Sewer Special Assessment Bonds	32,500	-	2,600	29,900	2,800
1991 - 5.875% (Original Issue $51,834)					
Haydenville FmHA Special Assessment Bonds	15,600	-	3,600	12,000	3,800
Total Special Assessment Bonds	48,100	-	6,200	41,900	6,600
Obligations Under Capital Leases	62,798	41,894	65,122	39,570	25,621
Compensated Absences	765,302	810,858	765,302	810,858	120,832
Total General Long-Term Obligations	$ 1,802,335	$ 987,146	$ 980,759	$ 1,808,722	$ 313,817

NOTE 14 - LONG-TERM DEBT - Continued

Types/Issues	Outstanding 12/31/07	Increases	Decreases	Outstanding 12/31/08	Due In One Year
Enterprise Fund					
1996 - 4.5% (Original Issue $333,000)					
Rockbridge Sanitary Sewer Revenue Bonds	$ 300,500	$ -	$ 4,900	$ 295,600	$ 5,200
1991 - 5.875% (Original Issue $227,000)					
Haydenville Sewer FmHA Revenue Bonds	191,200	-	3,800	187,400	4,100
Total Revenue Bonds	491,700	-	8,700	483,000	9,300
Compensated Absences	5,067	6,108	5,067	6,108	1,425
Total Enterprise Fund	$ 496,767	$ 6,108	$ 13,767	$ 489,108	$ 10,725

All of the General Obligation Bonds will be paid from the Debt Service Funds. The Land Mortgage Note will be paid from the Motor Vehicle Gas Tax Fund (a Special Revenue Fund).

The County has pledged future special assessment revenues to repay $41,900 (original issue amounts of $105,334) in special assessment bonds issued in 1996 and 1991, respectively. Proceeds from the bonds provided financing for the construction of the Rockbridge and Haydenville sewer lines. The bonds are payable solely from special assessment revenues and are payable through 2017. However, the County would be required to pay any deficit on these bonds if future special assessment revenues were not sufficient to make the debt service payments. Annual principal and interest payments on the bonds are expected to require all of the special assessment revenues. The total principal and interest remaining to be paid on the bonds is $50,454. Principal and interest paid for the current year and total special assessment revenues were $8,579 and $11,742, respectively.

The County has pledged future sewer customer revenues, net of specified operating expenses, to repay $333,000 and $227,000 in sewer revenue bonds issued in 1996 and 1991, respectively. Proceeds from the bonds provided financing for the construction of the Rockbridge and Haydenville wastewater treatment facilities. The bonds are payable solely from sewer customer net revenues and are payable through 2037. Annual principal and interest payments on the bonds are expected to require approximately 61 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $881,323. Principal and interest paid for the current year and total customer net revenues were $33,456 and $55,079, respectively.

The compensated absences liability will be paid from the fund from which the employees are paid, with the most significant funds being the General Fund, Motor Vehicle Gas Tax Fund, Human Services Fund, Mentally Retarded and Developmentally Disabled Fund, and Emergency Medical Services Fund.

The capital lease obligations will be repaid from the General Fund and the Special Projects Fund.

During 2005, the County issued three long term notes. Two of the notes were from the Ohio Public Works Commission in the amounts of $72,000 and $65,000 for the purpose of replacing the Murray City Bridge and the County Road 17 Bridge. The other note was from REMCO Equipment, Inc. in the amount of $90,000 for the purpose of purchasing a Wheeled Excavator. These notes will be repaid from the Motor Vehicle Gas Tax Fund.

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

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

NOTE 14 - LONG-TERM DEBT - Continued

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

	Consolidated Services Building Bonds		Special Assessment Bonds		Sanitary Sewer Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 55,000	$ 15,582	$ 6,600	$ 2,051	$ 9,300	$ 24,312	$ 70,900	$ 41,945
2010	60,000	12,750	6,900	1,702	9,600	23,837	76,500	38,289
2011	20,000	9,630	7,200	1,336	10,300	23,346	37,500	34,312
2012	20,000	8,560	3,100	954	10,600	22,819	33,700	32,333
2013	20,000	7,490	3,300	815	11,300	22,276	34,600	30,581
2014-2018	120,000	19,795	14,800	1,696	65,400	102,117	200,200	123,608
2019-2023	-	-	-	-	84,000	83,461	84,000	83,461
2024-2028	-	-	-	-	108,100	59,390	108,100	59,390
2029-2033	-	-	-	-	108,200	29,155	108,200	29,155
2034-2037	-	-	-	-	66,200	7,610	66,200	7,610
Totals	$ 295,000	$ 73,807	$ 41,900	$ 8,554	$ 483,000	$ 398,323	$ 819,900	$ 480,684

NOTE 14 - LONG-TERM DEBT - Continued

The long-term notes are payable as follows:

	Columbia Gas Building Notes		Juvenile Detention Facility Notes		Bridge Replacement OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 6,188	$ 8,552	$ 11,251	$ 9,456	$ 31,666	$ 879
2010	6,533	8,207	11,718	8,989	13,389	337
2011	6,900	7,843	12,204	8,503	6,794	68
2012	7,262	7,479	12,689	8,018	-	-
2013	7,687	7,053	13,238	7,470	-	-
2014-2018	45,349	28,355	74,882	28,657	-	-
2019-2023	59,488	14,214	91,885	11,767	-	-
2024-2026	13,960	781	-	-	-	-
Totals	$ 153,367	$ 82,484	$ 227,867	$ 82,860	$ 51,849	$ 1,284

	Remco Equipment JCB Wheeled Excavator Note		TR317 Bridge Replacement		Gradall Hydraulic Excavator	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 22,656	$ 1,032	$ 6,947	$ -	$ 20,000	$ 3,954
2010	-	-	6,947	-	20,000	3,163
2011	-	-	6,947	-	20,000	2,373
2012	-	-	6,947	-	20,000	1,582
2013	-	-	3,473	-	20,000	791
Totals	$ 22,656	$ 1,032	$ 31,261	$ -	$ 100,000	$ 11,863

	Dog Warden Truck		Copiers		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 5,000	$ 913	$ 2,056	$ 584	$ 105,764	$ 25,370
2010	5,000	634	2,056	500	65,643	21,830
2011	5,000	456	2,056	417	59,901	19,660
2012	5,000	228	2,056	337	53,954	17,644
2013	-	-	2,056	250	46,454	15,564
2014-2018	-	-	4,114	250	124,345	57,262
2019-2023	-	-	-	-	151,373	25,981
2024-2026	-	-	-	-	13,960	781
Totals	$ 20,000	$ 2,231	$ 14,394	$ 2,338	$ 621,394	$ 184,092

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

NOTE 15 - CAPITAL LEASE OBLIGATIONS

During 2008, the County entered into an agreement to lease two 2008 Ford Crown Victorias for the Sheriff's Office. 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 also 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 2008 were $65,122 and $3,215, respectively. For the leased assets 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, 2008 are as follows:

Fiscal Year	Capital Leases
2009	$ 27,903
2010	14,779
Total minimum lease payments	$ 42,682
Less: amount representing interest	(3,112)
Present value of minimum lease payments	$ 39,570

NOTE 16 - INTERFUND TRANSACTIONS

During the year, the County's General Fund and the Mental Retardation Special Revenue Fund made advances to other funds in anticipation of intergovernmental grant revenue.

	Interfund Payables	Interfund Receivables
Major Funds:		
General	$ -	$ 15,000
Mentally Retarded and Developmentally Disabled	-	25,000
Total Major Funds	-	40,000
Non-Major Special Revenue Funds:		
Hocking County Integrated Intervention	10,000	-
Home Grant	5,000	-
Pathways Two Grant	25,000	-
Total Non-Major Special Revenue Funds	40,000	-
Total All Funds	$ 40,000	$ 40,000

NOTE 16 - INTERFUND TRANSACTIONS - Continued

The due to and due from other funds are the result of services provided between funds and do not represent advances to and from funds.

Fund Type/Fund	Due From Other Funds	Due To Other Funds
General Fund	$ 21,169	$ -
Major Special Revenue Funds:		
Motor Vehicle and Gas Tax	1,655	-
Mentally Retarded and Developmentally Disabled	-	1,655
Human Services	-	75,894
Total Major Funds	22,824	77,549
Non-Major Special Revenue Funds		
Hocking County DHS/CSEA	-	8,387
Children Services	89,084	-
Family and Children First	7,000	13,191
Felony Delinquent Care	-	7,000
Lodging Tax	-	12,781
Total Non-Major Special Revenue Funds	96,084	41,359
Total Governmental Funds	118,908	118,908
Total All Funds	$ 118,908	$ 118,908

NOTE 16 - INTERFUND TRANSACTIONS - Continued

Fund Type/Fund	Transfers In	Transfers Out
Major Funds		
General Fund	$ -	$ 410,907
Human Services Fund	96,403	68,133
Mentally Retarded and Developmentally Disabled Fund	-	5,000
Total Major Funds	96,403	484,040
Other Governmental Funds		
Non-Major Special Revenue Funds		
Family Resources MR/DD	5,000	-
Childrens Services Fund	250,000	14,741
Sheriff Law Enforcement Trust	300	-
VOCA Grant	6,719	-
Justice Assistance Grant	14,922	-
Hocking County Emergency Management	21,855	-
Total Non-Major Special Revenue Funds	298,796	14,741
Non-Major Debt Service Funds		
Childrens Services Building Bond Retirement Fund	14,741	-
General Obligation Debt Fund	20,708	-
Human Services Building Bond Retirement	68,133	-
Total Non-Major Debt Service Funds	103,582	-
Total Other Governmental Funds	402,378	14,741
Total All Funds	$ 498,781	$ 498,781

During the year, the County provided transfers from the General Fund to the above funds to subsidize them in accordance with the funds' needs or to provide resources to make debt service payments. The transfer from the Human Services Fund to the Human Services Building Bond Retirement Fund is to provide monies for the debt service payments. The transfer from the Mentally Retarded and Developmentally Disabled Fund to the Family Resources MR/DD Fund is to improve cash flow within the Family Resources MR/DD Fund. The transfer from the Childrens Services Fund to the Childrens Services Building Bond Retirement Fund is to provide monies for the debt service payments.

NOTE 17 - 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 Services, four members are appointed by the Ohio Department of Mental Health, and five members are appointed by the County Commissioners. The District derives its revenue from local property taxes, intergovernmental grants and reimbursements, and other miscellaneous revenue. Hocking County has no ongoing financial interest or responsibility in this District.

Athens/Hocking Joint Solid Waste Management District

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

Buckeye Joint-County Self Insurance Council

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

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

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

NOTE 18 – 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 2008, contributed $550,576 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 19 – 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 20 – RELATED PARTY RELATIONSHIP

On May 8, 2008, the County guaranteed a loan for the Hocking County Agricultural Society restroom/shower facility construction project, using the fairgrounds as collateral. The original loan balance was $140,000 with annual debt service principal requirements of $9,333, plus interest, for a term of 15 years. This loan carries an interest rate of 6.25%. As of December 31, 2008, the outstanding balance on this loan was $90,118. This balance is not recognized as a liability in the County's basic financial statements because the Agricultural Society is primarily liable and has not yet been in default of the debt agreement.

NOTE 21 – PRIOR PERIOD RESTATEMENT

Net assets at December 31, 2007 have been restated to account for certain capital assets which had not previously been included. This restatement had the following effect on the beginning balance of net assets:

	Governmental Activities
Net Assets, December 31, 2007	$ 31,993,888
Restatement	368,220
Restated Net Assets, December 31, 2007	$ 32,362,108

NOTE 22 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Attached to the grants are certain restrictions requiring the Hospital to provide an annual amount of uncompensated care to indigent patients. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The amount of charity care not recorded as revenue was approximately $1,488,541 in 2008.

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 2008, approximately 41% of the Hospital's total patient revenue was derived from Medicare payments while 18% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance payments and individual self-payments. The Hospital maintains an allowance for doubtful accounts based upon the expected collectibility of patient accounts receivable.

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

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

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

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

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

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

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

Amortization expense on capital leases in included in depreciation expense.

Deferred Financing Costs - Deferred financing costs consist primarily of underwriter fees and other costs related to the issuance of the bonds and are being amortized over the life of the bonds based on the straight-line method. Accumulated amortization as of December 31, 2008 was $63,903.

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

Compensated Absences – The Hospital's employees earn vacation time at varying rates depending on years of service. Employees may accumulate vacation time, up to a specified amount, to be carried over to the subsequent year. The estimated amount of vacation time payable for hours earned is reported as a current liability in 2008. The Hospital's employees also earn sick leave on an annual basis at a flat rate regardless of years of service. Accrued sick leave is paid out at termination at rates up to 12% of hours accrued at 50% of hourly rate, depending on years of service in accordance with the Ohio Revised Code. Accrued sick leave is paid out at 33%, with maximum payouts of 40 to 80 days depending on years of service, for retired employees with at least 10 years of service. The estimated amount of sick leave time payable for hours earned is reported as a current liability in 2008.

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

Cost of Borrowings – Except for capital assets acquired through gifts, contributions on capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in 2008.

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

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

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

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

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

Recent Accounting Standards – The GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal years beginning after December 15, 2007. This statement addresses the obligations of existing pollution events. It provides guidance on whether any components of a remediation should be recognized as a liability. The adoption of GASB Statement No. 49 has not had a material impact on the financial statements of the Hospital as of and for the year ended December 31, 2008.

2. NET PATIENT SERVICE REVENUE

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

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

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

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

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

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge. Medicaid outpatient services are reimbursed based upon the lesser of the Hospital's charge or predetermined fee schedule amounts. Capital related expenditures are subject to annual cost report settlement. The Hospital's Medicaid cost reports have been settled by the Medicaid program through December 31, 2003.

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

Gross patient service revenue and the allowances to reconcile to net patient service revenue for the year ended December 31, 2008 is as follows:

	2008
Gross patient service revenues	$67,740,610
Less third-party allowances	32,537,084
Less bad debts	3,990,130
Net patient service revenue	$31,213,396

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

3. DEPOSITS AND INVESTMENTS

Deposits – State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. At December 31, 2008, the carrying amount of the Hospital's bank deposits for all funds is $817,498 as compared to a bank balance of $874,390. The difference in carrying amounts and bank balances are caused by outstanding checks and deposits-in-transit. Of the bank balances at December 31, 2008, $264,552 is covered by Federal insurance programs and $609,838 is collateralized with securities held by the financial institution or by its trust department or agent but not in the Hospital's name.

The Hospital's investments generally are reported at fair value, as discussed in Note 1 of this footnote. At December 31, 2008, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

		Maturities	
	Carrying Amount	Less than 1 Year	1 - 5 Years
Agency bonds	$ 9,521	$ -	$ 9,521
Certificate of deposit	535,329	535,329	-
Money Market Funds	577,733	577,733	-
	$ 1,122,583	$ 1,113,062	$ 9,521

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

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

Concentration of credit risk – The Hospital places no limit on the amount it may invest in any one issuer. The Hospital maintains its investments, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on investments. At December 31, 2008, the Hospital had 48% of its investments invested in certificates of deposit at local banks.

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

4. CAPITAL ASSETS

Capital assets consist of the following:

	12/31/2007	Additions	Retirements/ Transfers	12/31/2008
Land improvements	$ 569,910	$ 2,000	$ 1,700	$ 573,610
Buildings and improvements	13,604,839	348,531	65,060	14,018,430
Equipment	16,442,446	955,711	46,958	17,445,115
Construction in process	85,462	110,857	(113,718)	82,601
Total capital assets	30,702,657	1,417,099	-	32,119,756
Less accumulated depreciation:				
Land improvements	(253,371)	(11,828)	-	(265,199)
Buildings and improvements	(5,428,817)	(432,407)	-	(5,861,224)
Equipment	(12,009,488)	(1,332,873)	-	(13,342,361)
Total accumulated depreciation	(17,691,676)	(1,777,108)	-	(19,468,784)
Capital assets, net	$ 13,010,981	$ (360,009)	$ -	$ 12,650,972

Cost of equipment under capital lease	$ 3,128,320
Accumulated amortization	(1,066,948)
Net carrying amount	$ 2,061,372

Depreciation expense for the year ended December 31, 2008 totaled $1,767,109.

5. ESTIMATED THIRD-PARTY SETTLEMENTS

Estimated third-party payor settlements consist of amounts due from (to) the Medicare program for the settlement of the cost reports. The balance as of December 31, 2008 consists of estimated amounts as follows:

	2008
2006	$ -
2007	(119,629)
2008	119,629
	$ -

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

6. ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Patient accounts receivable, accounts payable and accrued expenses reported as current liabilities at December 31, 2008 consisted of these amounts:

Patient Accounts Receivable		
Receivable from patients and their insurance carriers	$	4,403,101
Receivable from Medicare		2,686,481
Receivable from Medicaid		1,175,783
Total patient accounts receivable		8,265,365
Less allowance for uncollectible accounts		3,645,181
Patient accounts receivable, net	$	4,620,184

Accounts Payable and Accrued Expenses		
Payable to suppliers and vendors	$	960,582
Accrued workers compensation		214,789
Patient refunds		63,290
Other		112,306
	$	1,350,967

Accrued Salaries, Wages and Employee Benefits		
Accrued salaries	$	326,882
Sick pay		254,165
Vacation		872,235
Wthholdings and benefit accruals		535,099
	$	1,988,381

7. LONG-TERM DEBT AND LEASES

The Hospital has the following debt outstanding at December 31, 2008:

- 1993 County Hospital Refunding and Improvement Bonds, Term Bonds, 5.35% due December 1, 2009, 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 $190,000 plus interest.

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

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

7. LONG-TERM DEBT AND LEASES - Continued

- Note payable, Hocking County Public Health Department, bi-annual payments of $14,250 due and payable each June and December through 2012. Collateralized by building with a net book value of approximately $206,000, interest per the agreement was 0% and management determined that imputed interest was immaterial.

- Note payable, bank, due March 2010, due in 60 monthly installments of $4,582, interest at 5.25%, secured by land with a net book value of $250,000.

	12/31/2007	Additions	Payments	12/31/2008	Amount due within 1 year
1993 bonds, issued July 1, 1993	$ 525,000	$ -	$ 235,000	$ 290,000	$ 50,000
1999 bonds, issued March 1, 1999	1,810,000	-	115,000	1,695,000	120,000
Bond discount	(42,809)	-	(4,770)	(38,039)	(4,770)
Note payable, December 2003	142,500	-	28,500	114,000	28,500
Note payable, March 2005	127,369	-	51,434	75,935	53,395
Capital lease obligations	2,490,201	476,684	704,721	2,262,164	757,027
	$ 5,052,261	$ 476,684	$ 1,129,885	$ 4,399,060	$ 1,004,152

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

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

Minimum payments on these obligations to maturity as of December 31, 2008 follows:

	Long-Term Debt		Capital Lease Obligations	
December 31,	Principal	Interest	Principal	Interest
2009	$ 247,125	$ 96,028	$ 757,027	$ 119,789
2010	231,271	86,684	506,658	54,648
2011	218,730	78,028	513,497	33,774
2012	223,730	68,683	451,705	11,038
2013	205,231	58,973	33,277	436
Thereafter	1,010,809	177,175	-	-
	$ 2,136,896	$ 565,571	$ 2,262,164	$ 219,685

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – Continued

8. LINE OF CREDIT

As of December 31, 2008, the Hospital has a $2,000,000 line of credit with a bank. The balance on the line of credit was $719,454 as of December 31, 2008. Interest on the line of credit is at prime plus 0.25% which at December 31, 2008 was approximately 5.25%. The loan is secured by accounts receivable with a net book value of $4,620,184. Activity on the line of credit is as follows:

	12/31/2007	Borrowings	Payments	12/31/2008
Line of Credit	$ 477,000	$ 720,000	$ (477,546)	$ 719,454

9. PENSION PLAN

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

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

Year	Contribution
2008	$ 1,857,743
2007	$ 1,686,225
2006	$ 1,458,752

OPERS also provides post-retirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients is available. The healthcare coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB). A portion of each employer's contribution to OPERS is set aside for the funding of post-employment healthcare. The Ohio Revised Code provides statutory authority for employer contributions. The portion of the 2008 employer contribution rates of 14.0% used to fund healthcare was 7.0%. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement healthcare through their contributions to OPERS.

The assumptions and amounts below are based on OPERS' latest actuarial review performed as of December 31, 2007. 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 the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment return assumption rate for 2007 was 6.5%. An annual increase of 4% 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% base increase, were assumed to range from .5% to 6.3%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 4% for the next 7 years. In subsequent years (8 and beyond), healthcare costs were assumed to increase at 4% (the projected wage inflation rate).

The Traditional Pension and Combined Plans had 363,503 active contributing participants as of December 31, 2008. The number of active contributing participants for both plans used in the December 31, 2007 actuarial valuation was 364,076.

Hospital contributions made to fund post-employment benefits approximated $928,872 for 2008.

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – Continued

9. PENSION PLAN – Continued

The actuarial value of OPERS net assets available for OPEB at December 31, 2006 was $12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability for OPEB, based on the actuarial cost method was $29.8 billion and $17.0 billion, respectively.

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.

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

10. PROFESSIONAL LIABILITY INSURANCE

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

11. DEFERRED COMPENSATION

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

12. RELATED PARTIES

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

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

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – Continued

12. RELATED PARTIES - Continued

Hocking Valley Community Hospital Memorial Fund, Inc. (the Foundation)
Unaudited Condensed Balance Sheet
December 31, 2008

ASSETS	
Current assets	
Cash and cash equivalents	$ 141,502
Investments	830,600
Property and equipment, net	612,567
Total assets	$ 1,584,669
Current liabilities	
Total liabilities	$ 59,360
Total net assets	1,525,309
Total liabilities and net assets	$ 1,584,669

Unaudited Condensed Statement of Activities
December 31, 2008

Total support	$ 152,527
Expenses	40,600
Donations and pledges to the Hospital	120,500
Increase in net assets	(8,573)
Net assets, beginning of year	1,533,882
Net assets, end of year	$ 1,525,309

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

2009	$ 75,072
2010	75,072
2011	75,072
2012	75,072
2013	75,072
Thereafter	356,592
Total future minimum lease payments	$ 731,952

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – Continued

12. RELATED PARTIES - Continued

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

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

During the year ended December 31, 2008, the Hospital disbursed funds totaling $1,502,602 on behalf of HVMG to fund operating deficits. This amount was paid to the Foundation due to the nature of the control the Foundation has over HVMG. There were no amounts due to or from HVMG at December 31, 2008.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – Continued

13. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

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

	Total at December 31, 2008	Fair Value Measurements Using: Level 1	Level 2	Level 3
Assets:				
Cash equivalent investments and assets limited as to use	$ 1,122,583	$ 1,122,583	$ -	$ -

NOTE 23 - 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 Agency provides habilitation services for the mentally and physically handicapped.

2. ACCOUNTING POLICIES

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

Depreciation – Depreciation is computed using the accelerated cost recovery system and the modified accelerated depreciation system (straight-line) as appropriate. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation expense for the year ended December 31, 2008 was $7,635.

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.

Cash and cash equivalents – The Agency considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Inventory – Inventory consists primarily of janitorial and golf course supplies and is priced at lower of cost or market, principally first-in, first-out.

Use of estimates – The preparation of financial statements in conformity with the modified 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, 2008 was $680.

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

NOTE 23 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC. - Continued

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 period July 1, 2007 through June 30, 2008, no dollar amounts were specified for the rental fee. Lease expense (rent) for the year ended December 31, 2008 was $0. The rental fees were waived by the 169 Board for 2008.

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.

6. NOTE PAYABLE

During 2006, the agency purchased a John Deere tractor and mower from Deere & Company for $10,100 for 36 months at zero percent interest. The balance was $1,267 at December 31, 2008. Payments are $253 per month. At December 31, 2008, there were 5 payments remaining.

Future payments for the years ending December 31 are as follows:

2009	$ 1,267
Total	$ 1,267

Hocking County Financial Condition
Hocking County

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Housing & Urban Development			
Passed through the Ohio Department of Development			
Community Development Block Grants/State's Program	B-F-07-034-1	14.228	$109,962
Community Development Block Grants/State's Program	B-F-06-034-1		8,000
Community Development Block Grants/State's Program	B-C-07-34-1		165,413
			283,375
Home Investment Partnerships Program	B-C-07-034-2	14.239	14,775
Total U.S. Department of Housing & Urban Development			**298,150**
U.S. Department of Justice			
Direct from Federal Agency			
Drug Court Discretionary Grant Program	N	16.585	81,358
Passed through the Ohio Office of Criminal Justice Services			
Edward Byrne Justice Assistance Grant Formula Program	JG-D01-6374	16.738	25,254
	JG-LLE-5121		13,572
Total Edward Byrne Justice Assistance Grant			38,826
Passed through the Ohio Department of Youth Services			
Juvenile Justice and Delinquency Prevention Allocaiton to States	JJ-DA1-0120	16.540	32,996
Total U.S. Department of Justice			**153,180**
U.S. Department of Labor			
Passed through the Local Area Agency, the Vinton County Department of Job & Family Services			
Workforce Investment Act Cluster:			
WIA Adult Program	N/A	17.258	147,424
WIA Youth Activities	N/A	17.259	320,364
WIA Dislocated Workers	N/A	17.260	177,623
Total Workforce Initiative Allocation Cluster:			645,411
Total U.S. Department of Labor			**$645,411**

Hocking County Financial Condition
Hocking County

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Health & Human Services			
Passed through the Ohio Department of MRDD			
Social Services Block Grant- Title XX	N/A	93.667	263,350
Targeted Case Management	N/A	93.778	47,163
Passed through the Area Agency on Aging			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	N/A	93.044	39,345
Passed through the Ohio Secretary of State			
Voting Access for Individuals with Disabilities - Grants to States	N/A	93.617	9,377
Total U.S. Department of Health & Human Services			**359,235**
U.S. Department of Homeland Security			
Passed through the Ohio Department of Public Safety- Emergency Management Agency			
Emergency Management Performance Grants	EM-E7-0024	97.042	16,631
	EM-E7-0085		7,042
	EM-E8-0002		19,619
Total Emergency Management Performance Grants			43,292
Homeland Security Grant Program	GE-T7-0030	97.067	111,558
Citizens Corps	GC-T6-0051	97.053	8,000
Total U.S. Department of Homeland Security			**162,850**
Total Federal Awards Expenditures			**$1,618,826**

N/A- Pass through entity number not available
N - Direct award

See accompanying notes to the Schedule of Federal Awards Expenditures

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 program. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

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

NOTE C – COMMUNITY DEVELOPMENT GRANT PROGRAM

Hocking County administers a loan program with funds provided by the U.S. Department of Housing and Urban Development, through the Ohio Department of Development, under the Community Development Block CHIP Grant Program. The purpose of this program is to provide loans to low and moderate income families for building improvements. The loans are provided as declining mortgage loans with the intent that they do not have to repay the loans unless they leave the residence before ten years. As of December 31, 2008, the total amount of loans outstanding was $427,822.01.

NOTE D – WORKFORCE INVESTMENT ACT (WIA) EXPENDITURES

Expenditures for the Workforce Investment Act (WIA) programs are presented on the schedule of federal awards expenditures as cash basis expenditures for the WIA Fund during 2008 less refunds and reimbursements received in the WIA Fund during 2008.

NOTE E – OHIO DEPARTMENT JOB AND FAMILY SERVICES

The Hocking County Department of Job and Family Services and Child Support Enforcement Agency received federal financial assistance from the Ohio Department of Job and Family Services for the following programs (which are audited at the state level and reported in the State Single Audit Report):

CFDA#93.558	Temporary Assistance for Needy Families
CFDA#93.563	Child Support Enforcement
CFDA#93.667	Social Services Block Grant Title XX

NOTE F – OHIO DEPARTMENT OF MENTAL RETARDATON AND DEVELOPMENTAL DISABILITIES

The Hocking County Department of Mental Retardation and Developmental Disabilities received federal financial assistance from the Ohio Department of Mental Retardation of Developmental Disabilities for the following program (which is audited at the state level and reported in the State Single Audit Report):

CFDA #93.778	Medicaid Cluster (Individual Options and Level 1 Waiver Programs)

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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 Financial Condition, Hocking County, Ohio (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 23, 2009 wherein we noted the County implemented Governmental Accounting Standards Board (GASB) Statement No. 45 and No. 50. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that County's internal control will not prevent or detect a material financial statement misstatement.

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

Internal Control Over Financial Reporting (Continued)

We also noted internal control matters that we reported to the County's management in a separate letter dated June 23, 2009.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that are reported the County's management in a separate letter dated June 23, 2009.

We intend this report solely for the information and use of management, members of the Board and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
June 23, 2009

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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 its major federal program for the year ended December 31, 2008. The County's major federal program is 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 its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonably assure 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 of 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 its major federal program for the year ended December 31, 2008.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

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

This report is intended solely for the information and use of management, members of the Board, 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.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
June 23, 2009

Hocking County Financial Condition
Hocking County

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED DECEMBER 31, 2008

1. SUMMARY OF AUDITOR′S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any material weakness 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 significant internal control deficiencies reported for major federal programs?	No
(d)(1)(iv)	Were there any material weakness reported for major federal programs?	No
(d)(1)(v)	Type of Major Program′s Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	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

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

Hocking County Financial Condition
Hocking County

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; **Explain**
2007-001	Significant Deficiency – Segregation of Duties	Yes	
2007-002	Significant Deficiency – Gift Card Usage	Yes	
2007-003	Significant Deficiency – Miscellaneous Cash	Yes	
2007-004	Significant Deficiency – Modified Time Sheets	Yes	
2007-005	Significant Deficiency – Credit Cards	Yes	

Mary Taylor, CPA
Auditor of State

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, 2009

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