Financial Condition
Hocking County
Single Audit
For the Year Ended December 31, 2013

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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

We have reviewed the *Independent Auditor's Report* of Hocking County prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

August 19, 2014

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Hocking County Financial Condition
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For the Year Ended December 31, 2013

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hocking County, Ohio (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hocking Valley Community Hospital or Hocking Valley Industries, Inc., which are discretely presented component units and which represent 100% of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hocking Valley Community Hospital and Hocking Valley Industries, Inc. is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The other auditors audited the financial statements of Hocking Valley Industries, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hocking County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Motor Vehicle Gas Tax Fund, Board of Developmental Disabilities Fund, and Emergency Medical Services Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of federal awards expenditures as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Natalie Millhuff-Stang

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

June 23, 2014

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, 2013. 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 2013 are as follows:

Overall:

Total net position increased $496,211 primarily due to governmental activities changes.

Total revenue was $21,607,532 in 2013.

Total program expenses were $21,111,321 in 2013.

Governmental Activities:

Liabilities and deferred inflows decreased $559,927 from 2012, while total assets decreased by $83,949.

Total revenue was $21,405,153 in 2013, while program expenses were $20,929,175.

Program expenses were primarily composed of health, public works, public safety, legislative and executive, judicial, and human services, where expenses were $5,753,642, $4,301,022, $3,976,005, $3,216,407, $1,914,357, and $1,181,669, respectively, in 2013.

Business-Type Activities:

Program revenues were $202,379 for business-type activities, while corresponding expenses were $182,146.

Using these Basic Financial Statements

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

- The statement of net position and statement of activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of Hocking County, the General Fund, the Motor Vehicle Gas Tax Fund, the Board of Developmental Disabilities Fund, and the Emergency Medical Services Fund are the major governmental funds for the County. The Sewer Fund is the major fund reported in the Enterprise Fund.

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, liabilities, and deferred inflows and outflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the County's *net position* and changes in net position. This change in net position is important because it tells the reader, for the County as a whole, whether the *financial position* of the County has improved. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required or mandated programs and other factors.

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

The analysis of the County's major funds begins on page 9. Fund financial statements provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, the Motor Vehicle Gas Tax Fund, the Board of Developmental Disabilities Fund, and the Emergency Medical Services Fund. The County's major enterprise fund is the Sewer Fund.

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

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

The County as a Whole

Recall that the statement of net position provides the perspective of the County as a whole. Table 1 provides a summary of the County's net position for 2013 compared to the prior year:

Table 1

Net Position

	Governmental Activities		Business-Type Activities		Totals	
Assets	2013	2012	2013	2012	2013	2012
Current & Other Assets	$ 21,997,514	$ 21,919,413	$ 265,488	$ 200,475	$ 22,263,002	$ 22,119,888
Capital Assets, Net	24,649,830	24,811,880	1,147,594	1,201,698	25,797,424	26,013,578
Total Assets	46,647,344	46,731,293	1,413,082	1,402,173	48,060,426	48,133,466
Liabilities						
Long-Term Liabilities	1,718,438	1,710,428	440,404	448,475	2,158,842	2,158,903
Current and Other Liabilities	1,014,004	1,264,883	2,480	3,733	1,016,484	1,268,616
Total Liabilities	2,732,442	2,975,311	442,884	452,208	3,175,326	3,427,519
Deferred Inflows of Resources						
Taxes	5,506,877	5,823,935	-	-	5,506,877	5,823,935
Net Position						
Net Investment in Capital Assets	23,546,327	23,891,891	715,694	758,498	24,262,021	24,650,389
Restricted	10,765,651	10,184,909	-	-	10,765,651	10,184,909
Unrestricted	4,096,047	3,855,247	254,504	191,467	4,350,551	4,046,714
Total Net Position	$ 38,408,025	$ 37,932,047	$ 970,198	$ 949,965	$ 39,378,223	$ 38,882,012

Total assets decreased by $73,040. The primary reasons for the decrease in total assets are decreases in taxes receivable and capital assets which were partially offset by increases in cash held with fiscal agents, intergovernmental receivables, and materials and supplies inventory. Capital assets in the governmental activities decreased $162,050 from 2012 to 2013, due to disposals and depreciation expense which were partially offset by additions. Capital assets in the business-type activities decreased $54,104 from 2012 to 2013, primarily due to depreciation expense.

Business-type revenues of $202,379 were over expenses of $182,146 resulting in an increase in net position of $20,233 from 2012 to 2013.

Total liabilities for governmental activities decreased $242,869 as a result of debt payments and the transfer of liabilities pertaining to the Job and Family Services, Children's Services and CSEA programs no longer managed by the County. Total liabilities of business-type activities decreased $9,324 due mainly to current year debt payments.

Table 2 shows the changes in net position for fiscal year 2013 and 2012.

Table 2
Changes in Net Position

	2013			2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues:						
Charges for Services and Sales	$ 3,715,379	$ 176,058	$ 3,891,437	$ 3,983,552	$ 153,116	$ 4,136,668
Operating Grants and Contributions	4,676,797	-	4,676,797	7,736,719	4,537	7,741,256
Capital Grants and Contributions	1,589,657	26,321	1,615,978	2,429,197	19,721	2,448,918
Total Program Revenues	9,981,833	202,379	10,184,212	14,149,468	177,374	14,326,842
General Revenues:						
Property Taxes	4,941,638	-	4,941,638	4,785,669	-	4,785,669
Sales Taxes	3,490,591	-	3,490,591	3,325,171	-	3,325,171
Grants and Entitlements	1,691,984	-	1,691,984	1,246,162	-	1,246,162
Other Taxes	893,766	-	893,766	808,246	-	808,246
Interest Earnings	81,352	-	81,352	90,263	-	90,263
Miscellaneous	323,989	-	323,989	521,417	-	521,417
Total General Revenues	11,423,320	-	11,423,320	10,776,928	-	10,776,928
Total Revenues	21,405,153	202,379	21,607,532	24,926,396	177,374	25,103,770
Program Expenses						
General Government:						
Legislative and Executive	3,216,407	-	3,216,407	3,022,582	-	3,022,582
Judicial	1,914,357	-	1,914,357	1,996,190	-	1,996,190
Public Safety	3,976,005	-	3,976,005	3,644,386	-	3,644,386
Public Works	4,301,022	-	4,301,022	4,175,503	-	4,175,503
Health	5,753,642	-	5,753,642	5,216,650	-	5,216,650
Human Services	1,181,669	-	1,181,669	5,812,823	-	5,812,823
Economic Development and Assistance	206,291	-	206,291	297,077	-	297,077
Conservation and Recreation	348,760	-	348,760	198,499	-	198,499
Interest and Fiscal Charges	31,022	-	31,022	33,900	-	33,900
Wastewater Treatment	-	182,146	182,146	-	193,854	193,854
Total Expenses	20,929,175	182,146	21,111,321	24,397,610	193,854	24,591,464
Change in Net Position	475,978	20,233	496,211	528,786	(16,480)	512,306
Net Position - Beginning of Year	37,932,047	949,965	38,882,012	37,403,261	966,445	38,369,706
Net Position - End of Year	$ 38,408,025	$ 970,198	$ 39,378,223	$ 37,932,047	$ 949,965	$ 38,882,012

Governmental net position increased $475,978 from 2012 to 2013. Total governmental activities revenues decreased $3,521,243 due primarily to decreases in operating grants and contributions of $3,059,922. This decrease related to a similar decrease in human services expenses is due to the County no longer managing Job and Family Services, Children's Services and CSEA programs directly. The increase in grants and entitlements is primarily due to an increase in casino tax revenues.

Total governmental activities expenses decreased $3,468,435 primarily due to decreases in expenses for human services of $4,631,154, for the reasons mentioned in the previous paragraph which were partially offset by increases in public safety expenses of $331,619, public works expenses of $125,519, and health expenses of $536,992.

For business-type activities, charges for services and sales increased $22,942, operating grants and contributions decreased $4,537, capital grants and contributions increased $6,600, and wastewater treatment expenses decreased $11,708, resulting in an increase in net position of $20,233.

The County receives diverse types of revenues to provide for the vast number of programs provided by the County. Operating grants and contributions provide 22% of total revenues for governmental activities. Property taxes and sales taxes provide 23% and 16% of total revenues for governmental activities, respectively.

Health, public works, public safety, and general government legislative and executive comprise 27%, 21%, 19% and 15%, 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	
	2013	2012	2013	2012
General Government - Legislative and Executive	$ 3,216,407	$ 3,022,582	$ 1,848,505	$ 2,024,944
General Government - Judicial	1,914,357	1,996,190	1,478,747	1,431,494
Public Safety	3,976,005	3,644,386	2,130,277	1,445,792
Public Works	4,301,022	4,175,503	1,302,768	329,889
Health	5,753,642	5,216,650	2,993,070	2,232,208
Human Services	1,181,669	5,812,823	797,870	2,443,200
Economic Development and Assistance	206,291	297,077	52,709	143,724
Conservation and Recreation	348,760	198,499	314,787	162,991
Interest and Fiscal Charges	31,022	33,900	28,609	33,900
Total Expenses	$ 20,929,175	$ 24,397,610	$ 10,947,342	$ 10,248,142

48% of governmental activities are supported through program revenues.

Business-Type Activities

Business-type activities include wastewater treatment.

Overall net position increased $20,233 from 2012 to 2013. Charges for services and sales accounted for 87% of total revenues of $202,379.

The County's Funds

Information about the County's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of $22,064,690 and expenditures and other uses of $21,376,219. The net change in fund balance for the year was most significant in the Motor Vehicle Gas Tax Fund, which experienced an increase in fund balance of $403,949 primarily due to increases in OPWC loans issued and a decrease in capital outlay expenditures of $565,114 which were partially offset by an increase in public works expenditures of $399,933.

The General Fund experienced an increase in fund balance of $144,906 primarily due to revenues exceeding expenditures.

The Board of Developmental Disabilities experienced a decrease in fund balance of $363,399 primarily due to expenditures exceeding revenues.

The Emergency Medical Services Fund experienced a decrease in fund balance of $9,773 due to expenditures exceeding revenues.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013 the County amended its General Fund budget numerous times, none significant.

For the General Fund, budget basis actual revenue and other financing sources were $7,063,740, above final budget estimates of $6,395,578. Of this difference, tax and intergovernmental revenues made the majority of this difference.

Budget basis actual expenditures and other financing sources were $7,041,682, below final budget estimates of $7,243,499 which resulted in a $201,817 difference. Total actual expenditures and other financing uses on the budget basis were $22,058 below revenues and other financing sources.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2013 the County had $25,797,424 (net of accumulated depreciation) invested in construction in progress, land, land improvements, buildings, machinery and equipment, vehicles, infrastructure, a wastewater treatment plant and collection system; $24,649,830 in governmental activities. Additional information regarding capital assets is shown in Note 7 to the basic financial statements. Tables 4.1 and 4.2 show fiscal 2013 and 2012 balances by governmental activities and business-type activities:

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

	2013	2012
Land	$ 811,350	$ 811,350
Construction in Progress	170,421	119,434
Land Improvements	47,637	44,169
Buildings	2,906,136	2,999,318
Machinery and Equipment	1,880,040	1,929,635
Vehicles	1,666,078	1,491,239
Infrastructure	17,168,168	17,416,735
Total	$ 24,649,830	$ 24,811,880

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

	2013	2012
Land	$ 29,000	$ 29,000
Wastewater Treatment Plant	66,640	87,466
Collection System	1,051,954	1,085,232
Total	$ 1,147,594	$ 1,201,698

Debt

At December 31, 2013 the County had $959,242 in governmental activities bonds and long-term loans and notes, $148,403 due within one year. At December 31, 2013, the County had $431,900 in business-type activity bonds, $11,800 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

	2013	2012
Long Term Notes/Loans	$ 944,442	$ 821,968
Special Assessment Bonds	14,800	18,100
Total	$ 959,242	$ 840,068

Table 6
Outstanding Debt At December 31
Business-Type Activities

	2013	2012
Revenue Bonds	$ 431,900	$ 443,200

All general obligation bonds, long-term notes and loans, and special assessment bonds outstanding for governmental activities are general obligations of the County for which the full faith and credit of the County is pledged for repayment. For additional information regarding bonds and long-term notes and loans payable please see Note 13 to the basic financial statements.

Current Financial Related Activities

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

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

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

Contacting the County's Financial Management

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

Hocking County

Statement of Net Position

As of December 31, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Hospital	Adult Activities Workshop
Assets					
Equity in Pooled Cash and Cash Equivalents	$ 12,017,734	$ 223,692	$ 12,241,426	$ -	$ -
Cash, Cash Equivalents and Investments in Segregated Accounts	-	-	-	2,067,366	84,967
Cash, Cash Equivalents and Investments with Fiscal Agents	321,000	-	321,000	-	-
Receivables:					
Taxes	6,564,191	-	6,564,191	-	-
Accounts, Net	65,298	41,796	107,094	4,468,632	28,029
Interest	2,291	-	2,291	-	-
Special Assessments	19,197	-	19,197	-	-
Intergovernmental	2,657,814	-	2,657,814	-	-
Materials and Supplies Inventory	349,989	-	349,989	328,084	1,685
Prepaid Items	-	-	-	1,058,360	-
Restricted Cash and Cash Equivalents and Investments in Segregated Accounts	-	-	-	228,262	-
Deposits	-	-	-	-	994
Nondepreciable Capital Assets	981,771	29,000	1,010,771	788,414	-
Depreciable Capital Assets, Net	23,668,059	1,118,594	24,786,653	10,927,140	18,446
Total Assets	46,647,344	1,413,082	48,060,426	19,866,258	134,121
Liabilities					
Accounts Payable	234,256	-	234,256	2,046,832	3,413
Accrued Wages and Benefits Payable	365,441	1,560	367,001	1,149,303	16,525
Sales Tax Payable	-	-	-	-	496
Intergovernmental Payable	378,308	920	379,228	-	-
Accrued Interest Payable		-	-		
Contracts Payable	35,999	-	35,999	-	-
Self Insurance Liability	-	-	-	293,298	-
Long-Term Liabilities:					
Due Within One Year	300,583	13,307	313,890	920,527	1,615
Due in More Than One Year	1,417,855	427,097	1,844,952	2,186,991	-
Total Liabilities	2,732,442	442,884	3,175,326	6,596,951	22,049
Deferred Inflows of Resources					
Property Taxes Not Levied to Finance Current Year Operations	5,506,877	-	5,506,877	-	-
Net Position					
Net Investment in Capital Assets	23,546,327	715,694	24,262,021	9,030,038	-
Restricted for:					
Debt Service	45,154	-	45,154	-	-
Capital Projects	833,368	-	833,368	-	-
Hocking County 911	1,059,798	-	1,059,798	-	-
Senior Citizens	380,609	-	380,609	-	-
Motor Vehicle Gas Tax	3,341,121	-	3,341,121	-	-
Family and Children First	210,189	-	210,189	-	-
Board of Developmental Disabilities	1,298,717	-	1,298,717	-	-
Emergency Medical Services	704,448	-	704,448	-	-
Real Estate Assessment	1,317,510	-	1,317,510	-	-
Other Purposes	1,574,737	-	1,574,737	228,262	-
Unrestricted	4,096,047	254,504	4,350,551	4,011,007	112,072
Total Net Position	$ 38,408,025	$ 970,198	$ 39,378,223	$ 13,269,307	$ 112,072

See accompanying notes to the basic financial statements.

Hocking County

Statement of Activities

For the Year Ended December 31, 2013

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	$ 3,216,407	$ 930,401	$ 437,501	$ -
Judicial	1,914,357	287,645	147,965	-
Public Safety	3,976,005	1,412,521	433,207	-
Public Works	4,301,022	296,546	1,112,051	1,589,657
Health	5,753,642	556,431	2,204,141	-
Human Services	1,181,669	157,247	226,552	-
Economic Development and Assistance	206,291	38,202	115,380	-
Conservation and Recreation	348,760	33,973		-
Interest and Fiscal Charges	31,022	2,413	-	-
Total Governmental Activities	20,929,175	3,715,379	4,676,797	1,589,657
Business-Type Activities				
Wastewater Treatment	182,146	176,058	-	26,321
Total Business-Type Activities	182,146	176,058	-	26,321
Total Primary Government	$ 21,111,321	$ 3,891,437	$ 4,676,797	$ 1,615,978
Component Units				
Hospital	$ 33,312,851	$ 34,551,550	$ -	$ 150,000
Adult Activities Workshop	861,085	395,664	438,518	-
Total Component Units	$ 34,173,936	$ 34,947,214	$ 438,518	$ 150,000

General Revenues

Property Taxes Levied for:

General Purposes

Other Purposes

Sales Taxes Levied for:

General Purposes

Other Purposes

Other Taxes

Grants and Entitlements not Restricted to Specific Programs

Interest Earnings

Gain on Sale of Capital Assets

Noncapital Grants and Contributions

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year as Restated

Net Position End of Year

See accompanying notes to the basic financial statements.

continued

Net (Expense) Revenue and Changes in Net Position			Component Units	
Governmental Activities	Business-Type Activities	Total	Hospital	Adult Activities Workshop
$ (1,848,505)	$ -	$ (1,848,505)	$ -	$ -
(1,478,747)	-	(1,478,747)	-	-
(2,130,277)	-	(2,130,277)	-	-
(1,302,768)	-	(1,302,768)	-	-
(2,993,070)	-	(2,993,070)	-	-
(797,870)	-	(797,870)	-	-
(52,709)	-	(52,709)	-	-
(314,787)	-	(314,787)	-	-
(28,609)	-	(28,609)	-	-
(10,947,342)	-	(10,947,342)	-	-
-	20,233	20,233	-	-
-	20,233	20,233		
(10,947,342)	20,233	(10,927,109)		
			1,388,699	-
			-	(26,903)
			1,388,699	(26,903)
1,655,069	-	1,655,069	-	-
3,286,569	-	3,286,569	-	-
2,714,581	-	2,714,581	-	-
776,010	-	776,010	-	-
893,766	-	893,766	-	
1,691,984	-	1,691,984	-	-
81,352	-	81,352	91,749	32
-	-	-	-	-
-	-	-	506,195	-
323,989	-	323,989	-	-
11,423,320	-	11,423,320	597,944	32
475,978	20,233	496,211	1,986,643	(26,871)
37,932,047	949,965	38,882,012	11,282,664	138,943
$ 38,408,025	$ 970,198	$ 39,378,223	$ 13,269,307	$ 112,072

Hocking County

Balance Sheet

Governmental Funds

As of December 31, 2013

	General	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	$ 3,533,493	$ 1,266,053	$ 1,118,494	$ 649,848	$ 5,449,846	$ 12,017,734
Receivables:						
Taxes	2,486,168	-	1,820,771	1,842,360	414,892	6,564,191
Accounts, Net	-	-	10,409	54,889	-	65,298
Accrued Interest	2,291	-	-	-	-	2,291
Intergovernmental	476,670	1,673,442	291,361	117,515	98,826	2,657,814
Interfund	30,000	-	-	-	-	30,000
Special Assessments	-	-	-	-	19,197	19,197
Due from Other Funds	-	1,526	1,800	-	-	3,326
Materials and Supplies Inventory	-	349,989	-	-	-	349,989
Loans Receivable	-	-	-	-	-	-
Restricted Assets:						
Cash and Cash Equivalents held with Fiscal Agents	-	321,000	-	-	-	321,000
Total Assets	$ 6,528,622	$ 3,612,010	$ 3,242,835	$ 2,664,612	$ 5,982,761	$ 22,030,840
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts Payable	$ 52,601	$ 78,825	$ 29,019	$ 1,331	$ 72,480	$ 234,256
Contracts Payable	-	-	-	-	35,999	35,999
Accrued Wages and Benefits Payable	144,859	45,084	64,266	58,948	52,284	365,441
Due to Other Funds	-	-	-	1,526	1,800	3,326
Intergovernmental Payable	97,523	34,742	50,075	91,752	104,216	378,308
Interfund Payable	-	-	-	-	30,000	30,000
Total Liabilities	294,983	158,651	143,360	153,557	296,779	1,047,330
Deferred Inflows of Resources						
Property Taxes Not Levied to Finance Current Year Operations	$ 1,880,697	$ -	$ 1,690,832	$ 1,710,880	$ 224,468	$ 5,506,877
Unavailable Revenues - Delinquent Taxes	144,530	-	129,939	131,480	17,250	423,199
Unavailable Revenues - Special Assessments	-	-	-	-	19,197	19,197
Unavailable Revenues - Grants	268,786	1,123,762	113,425	117,515	14,806	1,638,294
Total Deferred Inflows of Resources	2,294,013	1,123,762	1,934,196	1,959,875	275,721	7,587,567
Fund Balances						
Nonspendable	137,534	349,989	-	-	-	487,523
Restricted	-	1,979,608	1,165,279	551,180	5,445,720	9,141,787
Committed	20,105	-	-	-	-	20,105
Assigned	60,725	-	-	-	-	60,725
Unassigned (Deficit)	3,721,262	-	-	-	(35,459)	3,685,803
Total Fund Balances	3,939,626	2,329,597	1,165,279	551,180	5,410,261	13,395,943
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,528,622	$ 3,612,010	$ 3,242,835	$ 2,664,612	$ 5,982,761	$ 22,030,840

See accompanying notes to the basic financial statements.

Hocking County

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
As of December 31, 2013

Total Governmental Fund Balances		$ 13,395,943
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		24,649,830
Certain receivables reported as revenues on the statement of activities are not available to pay for current period expenditures and therefore are reported as deferred inflows in the funds.		
Taxes	423,199	
Intergovernmental	1,638,294	
Special Assessments	19,197	
Total		2,080,690
Long-term liabilities, including bonds, notes, capital leases and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(650,934)	
Long Term Notes	(944,442)	
Special Assessment Bonds	(14,800)	
Capital Lease Obligations	(108,262)	
Total		(1,718,438)
Net Position of Governmental Activities		$ 38,408,025

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, 2013

	General	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 4,533,125	$ -	$ 1,530,399	$ 1,549,240	$ 1,829,970	$ 9,442,734
Intergovernmental	1,218,120	3,748,336	1,368,441	252,226	1,278,270	7,865,393
Charges for Services	1,153,474	127,814	226,499	522,743	785,268	2,815,798
Fees, Licenses and Permits	24,353	-	-	-	97,050	121,403
Fines and Forfeitures	157,356	28,308	-	-	590,101	775,765
Special Assessments	-	-	-	-	3,308	3,308
Interest	80,744	608	-	-	-	81,352
Miscellaneous	62,897	24,866	47,428	-	188,798	323,989
Total Revenues	7,230,069	3,929,932	3,172,767	2,324,209	4,772,765	21,429,742
Expenditures						
Current:						
General Government:						
Legislative and Executive	1,948,140	-	-	-	1,149,705	3,097,845
Judicial	1,513,330	-	-	-	370,086	1,883,416
Public Safety	2,583,473	-	-	-	1,143,028	3,726,501
Public Works	15,156	2,710,866	-	-	73,420	2,799,442
Health	50,184	-	3,411,798	1,984,179	155,132	5,601,293
Human Services	611,082	-	-	-	723,303	1,334,385
Conservation and Recreation	206,291	-	-	-	-	206,291
Economic Development and Assistance	54,269	-	-	-	291,030	345,299
Capital Outlay	78,119	1,021,693	43,711	349,803	391,344	1,884,670
Debt Service:						
Principal	45,229	86,873	6,549	-	137,791	276,442
Interest and Fiscal Charges	5,661	2,517	676	-	22,168	31,022
Total Expenditures	7,110,934	3,821,949	3,462,734	2,333,982	4,457,007	21,186,606
Excess of Revenues Over (Under) Expenditures	119,135	107,983	(289,967)	(9,773)	315,758	243,136
Other Financing Sources/(Uses)						
Issuance of OPWC Loans	-	200,000	-	-	-	200,000
Issuances of Notes	-	69,000	-	-	-	69,000
Issuance of OWDA Loans	-	-	-	-	73,419	73,419
Proceeds from Sale of Capital Assets	21,378	-	-	-	-	21,378
Inception of Capital Lease	62,040	-	11,568	-	7,930	81,538
Transfers In	-	26,966	-	-	162,647	189,613
Transfers Out	(57,647)	-	(85,000)	-	(46,966)	(189,613)
Total Other Financing Sources/(Uses)	25,771	295,966	(73,432)	-	197,030	445,335
Net Changes in Fund Balances	144,906	403,949	(363,399)	(9,773)	512,788	688,471
Fund Balances Beginning of Year	3,794,720	1,925,648	1,528,678	560,953	4,897,473	12,707,472
Fund Balances End of Year	$ 3,939,626	$ 2,329,597	$ 1,165,279	$ 551,180	$ 5,410,261	$ 13,395,943

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, 2013

Net Change in Fund Balances - Total Governmental Funds		$ 688,471
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.		
Capital Asset Additions	1,806,166	
Current Year Depreciation	(1,887,916)	
Total		(81,750)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. These are proceeds from the sale of capital assets and the amount of the loss on the disposal of capital assets.		
Proceeds from Sale of Capital Assets	21,378	
Loss on Disposal of Capital Assets	(101,678)	
Total		(80,300)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(116,739)	
Intergovernmental	75,201	
Special Assessments	(895)	
Total		(42,433)
Proceeds from the issuance of long-term notes and loans in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.		(342,419)
Repayment of bond principal and long term notes principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		223,245
Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		53,197
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.		(81,538)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in Compensated Absences	139,505	
Total		139,505
Net Change in Net Position of Governmental Activities		$ 475,978

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, 2013

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	$ 4,252,350	$ 4,252,350	$ 4,501,408	$ 249,058
Charges for Services	908,382	909,302	1,013,721	104,419
Fees, Licenses and Permits	1,500	1,500	1,700	200
Fines and Forfeitures	160,000	160,000	158,870	(1,130)
Intergovernmental	942,800	942,800	1,185,288	242,488
Interest	80,000	80,000	80,336	336
Other	27,345	27,345	68,739	41,394
Total Revenues	6,372,377	6,373,297	7,010,062	636,765
Expenditures				
Current:				
General Government:				
Legislative and Executive	1,864,953	1,923,994	1,823,712	100,282
Judicial	1,342,460	1,510,003	1,480,058	29,945
Public Safety	2,552,430	2,669,889	2,613,801	56,088
Public Works	27,146	28,061	25,332	2,729
Health	71,664	86,523	76,895	9,628
Human Services	622,492	651,866	615,871	35,995
Conservation and Recreation	206,782	206,305	206,291	14
Community and Economic Development	56,634	58,618	54,269	4,349
Capital Outlay	16,079	16,079	16,079	-
Debt Service:				
Principal Retirements	45,229	45,229	45,229	-
Interest	5,661	5,661	5,661	-
Total Expenditures	6,811,530	7,202,228	6,963,198	239,030
Excess of Revenues Over (Under) Expenditures	(439,153)	(828,931)	46,864	875,795
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	12,281	12,281	21,378	9,097
Advances In	10,000	10,000	32,300	22,300
Transfers Out	(340,000)	(41,271)	(48,484)	(7,213)
Advances Out	-	-	(30,000)	(30,000)
Total Other Financing Sources (Uses)	(317,719)	(18,990)	(24,806)	(5,816)
Net Change in Fund Balance	(756,872)	(847,921)	22,058	869,979
Fund Balance at Beginning of Year	2,809,208	2,809,208	2,809,208	-
Prior Year Encumbrances Appropriated	202,927	202,927	202,927	-
Fund Balance at End of Year	$ 2,255,263	$ 2,164,214	$ 3,034,193	$ 869,979

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, 2013

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Charges for Services	$ 123,100	$ 123,100	$ 108,235	$ (14,865)
Fines and Forfeitures	35,000	35,000	29,131	(5,869)
Intergovernmental	3,754,612	3,754,612	3,754,481	(131)
Interest	1,000	1,000	608	(392)
Other	40,000	40,000	24,866	(15,134)
Total Revenues	3,953,712	3,953,712	3,917,321	(36,391)
Expenditures				
Current:				
Public Works	3,018,754	3,349,941	3,143,901	206,040
Capital Outlay	115,358	1,168,946	1,029,127	139,819
Debt Service:				
Principal Retirements	86,983	86,983	86,873	110
Interest and Fiscal Charges	2,517	2,517	2,517	-
Total Expenditures	3,223,612	4,608,387	4,262,418	345,969
Excess of Revenues Over (Under) Expenditures	730,100	(654,675)	(345,097)	309,578
Other Financing Sources:				
Transfers In	900	27,866	26,966	(900)
Proceeds of Notes and OPWC Loans	269,000	269,000	269,000	-
Total Other Financing Sources	269,900	296,866	295,966	(900)
Net Change in Fund Balance	1,000,000	(357,809)	(49,131)	308,678
Fund Balance at Beginning of Year	1,129,977	1,129,977	1,129,977	-
Prior Year Encumbrances Appropriated	73,141	73,141	73,141	-
Fund Balance at End of Year	$ 2,203,118	$ 845,309	$ 1,153,987	$ 308,678

See accompanying notes to the basic financial statements.

Hocking County

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
Board of Developmental Disabilities Fund
For the Year Ended December 31, 2013

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$ 1,529,488	$ 1,529,488	$ 1,530,399	$ 911
Charges for Services	169,803	169,803	216,090	46,287
Intergovernmental	1,466,715	1,466,715	1,363,657	(103,058)
Other	35,858	35,858	45,628	9,770
Total Revenues	3,201,864	3,201,864	3,155,774	(46,090)
Expenditures				
Current:				
Health	3,468,170	3,594,594	3,484,117	110,477
Capital Outlay	32,143	32,143	32,143	-
Debt Service:				
Principal Retirements	6,549	6,549	6,549	-
Interest & Fiscal Charges	676	676	676	-
Total Expenditures	3,507,538	3,633,962	3,523,485	110,477
Excess of Revenues Under Expenditures	(305,674)	(432,098)	(367,711)	64,387
Other Financing Uses:				
Transfers Out	(85,000)	(85,000)	(85,000)	-
Total Other Financing Uses	(85,000)	(85,000)	(85,000)	-
Net Change in Fund Balance	(390,674)	(517,098)	(452,711)	64,387
Fund Balance at Beginning of Year	1,400,823	1,400,823	1,400,823	-
Prior Year Encumbrances Appropriated	90,512	90,512	90,512	-
Fund Balance at End of Year	$ 1,100,661	$ 974,237	$ 1,038,624	$ 64,387

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, 2013

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$ 1,714,000	$ 1,714,000	$ 1,549,240	$ (164,760)
Charges for Services	400,000	400,000	508,193	108,193
Intergovernmental	100,000	133,671	252,226	118,555
Total Revenues	2,214,000	2,247,671	2,309,659	61,988
Expenditures				
Current:				
Health	2,244,797	2,405,056	2,037,435	367,621
Capital Outlay	349,803	349,803	349,803	-
Total Expenditures	2,594,600	2,754,859	2,387,238	367,621
Net Change in Fund Balance	(380,600)	(507,188)	(77,579)	429,609
Fund Balance at Beginning of Year	480,000	480,000	480,000	-
Prior Year Encumbrances Appropriated	186,647	186,647	186,647	-
Fund Balance at End of Year	$ 286,047	$ 159,459	$ 589,068	$ 429,609

See accompanying notes to the basic financial statements.

Hocking County
Statement of Fund Net Position
Proprietary Fund
As of December 31, 2013

Assets	**Sewer Fund**
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$ 223,692
Accounts Receivable (net of allowance, where applicable)	41,796
Total Current Assets	265,488
Noncurrent Assets	
Non-depreciable Capital Assets	29,000
Depreciable Capital Assets, Net	1,118,594
Total Noncurrent Assets	1,147,594
Total Assets	1,413,082
Liabilities	
Current Liabilities	
Accrued Wages and Benefits Payable	1,560
Intergovernmental Payable	920
Compensated Absences - Current	1,507
Revenue Bonds - Current	11,800
Total Current Liabilities	15,787
Noncurrent Liabilities	
Compensated Absences - Net of Current	6,997
Revenue Bonds - Net of Current	420,100
Total Noncurrent Liabilities	427,097
Total Liabilities	442,884
Net Position	
Net Investment in Capital Assets	715,694
Unrestricted	254,504
Total Net Position	$ 970,198

See accompanying notes to the basic financial statements.

Hocking County

Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2013

	Sewer Fund
Operating Revenues	
Charges for Services	$ 176,058
Total Operating Revenues	176,058
Operating Expenses	
Salaries and Wages	43,310
Fringe Benefits	13,597
Contractual Services	28,584
Depreciation	57,303
Materials and Supplies	10,309
Other	6,767
Total Operating Expenses	159,870
Operating Income	16,188
Nonoperating Expenses	
Interest and Fiscal Charges	(22,276)
Total Nonoperating Expenses	(22,276)
Change in Net Position Before Capital Contributions	(6,088)
Capital Contributions - Assessments	26,321
Total Capital Contributions	26,321
Change in Net Position	20,233
Net Position at Beginning of Year	949,965
Net Position at End of Year	$ 970,198

See accompanying notes to the basic finanical statements.

Hocking County

Statement of Cash Flows

Proprietary Fund

For the Year Ended December 31, 2013

	Sewer Fund
Increase in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 162,068
Cash Payments to Suppliers for Goods and Services	(39,776)
Cash Payments for Other Operating Expenses	(6,767)
Cash Payments to Employees for Services and Benefits	(54,048)
Net Cash Provided by Operating Activities	61,477
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(3,199)
Capital Contributions- Special Assessments	26,321
Principal Payments	(11,300)
Interest Payments	(22,276)
Net Cash Used for Capital and Related Financing Activities	(10,454)
Net Increase in Cash and Cash Equivalents	51,023
Cash and Cash Equivalents at Beginning of Year	172,669
Cash and Cash Equivalents at End of Year	$ 223,692
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	$ 16,188
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	57,303
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(13,990)
Decrease in Intergovernmental Payable	(403)
Increase in Compensated Absences	3,229
Increase in Accrued Wages and Benefits Payable	33
Decrease in Accounts Payable	(883)
Total Adjustments	45,289
Net Cash Provided by Operating Activities	$ 61,477

See accompanying notes to the basic financial statements.

Hocking County
Statement of Fiduciary Assets and Liabilities
Agency Funds
As of December 31, 2013

Assets		
Equity in Pooled Cash and Cash Equivalents	$	4,034,425
Cash and Cash Equivalents in Segregated Accounts		180,436
Taxes Receivable		18,150,950
Intergovernmental Receivable		1,381,043
Total Assets	$	23,746,854
Liabilities		
Due to Other Governments	$	23,423,980
Undistributed Monies		322,874
Total Liabilities	$	23,746,854

See accompanying notes to the basic financial statements.

NOTE 1 - REPORTING ENTITY

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

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

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

Discretely Presented Component Units: The component units' columns in the basic financial statements identifies the financial data of the County's component units, Hocking Valley Community Hospital and Hocking Valley Industries, Inc. These component units are reported separately from the primary government to emphasize that they are legally separate from the County. Notes 23 and 24 provide significant disclosures related to these component units.

Hocking Valley Community Hospital - Hocking Valley Community Hospital is organized as a county hospital under provisions of the general statutes of the State of Ohio. The Board of Trustees are appointed by the County Commissioners and the Probate and Common Pleas Court Judges. The Hospital began operations in 1966 and has a 25-bed acute care unit and a 10-bed geriatric unit. Hocking Valley Community Hospital operates on a fiscal year ending December 31. The County has issued debt on behalf of the Hospital using the County's general taxing authority and the Hospital pays the debt service on this debt. Because the Hospital is a county hospital as defined under the Ohio Revised Code and the County does use their taxing authority to issue debt on behalf of the Hospital, the Hospital is presented as a component unit of Hocking County. Separately issued audited financial statements can be obtained from Hocking Valley Community Hospital, 601 State Route 664 North, Logan, Ohio 43138.

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

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

NOTE 1 - REPORTING ENTITY – (CONTINUED)

The County is associated with certain organizations, three of which are defined as jointly governed organizations, and two joint ventures. These organizations are presented in Notes 16 and 17 to the basic financial statements. These organizations are:

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

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

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

The County serves as a fiscal agent for the Hocking Valley Community Residential Center. Accordingly this organization is presented as an agency fund within the County's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hocking County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the County's accounting policies.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Fund Accounting: The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash, other financial resources, and deferred outflows of resources, together with all related liabilities, deferred inflows of resources, and residual equities or balances, and changes herein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types

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

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

Motor Vehicle Gas Tax Fund – This fund accounts for state gasoline tax and motor vehicle registration fees for maintenance and improvement of County roads and bridges and township bridges. The primary source of revenue for this fund is intergovernmental monies.

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

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

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2013. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, fines and forfeitures collected and distributed to other political subdivisions, and for certain County department outside bank accounts.

Measurement Focus:

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

Revenues – Exchange and Nonexchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest. The permissive sales taxes, various State of Ohio non-reimbursable grants, local government, local government revenue assistance, gasoline tax, motor vehicle license tax, and undivided library taxes are recognized as receivables in accordance with the fiscal year of the State of Ohio that ends June 30, 2014. Therefore six months of receivables have been recorded for these revenue types.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The County did not have any deferred outflows as of December 31, 2013. The County also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the County these amounts consist of special assessments which are not collected in the available period, and intergovernmental receivables which are not collected in the available period. Property taxes for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance fiscal year 2014 operations, have also been recorded as deferred inflows of resources.

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

Expenses/Expenditures

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

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

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

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

The amounts reported as the original and final budgets on the budgetary statements reflect the amounts in the original and final amended official certificate of estimated resources at the time the original and final appropriations were passed. The County Commissioners legally enacted several supplemental appropriation resolutions during the year. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represented the final appropriation amounts passed by the Commissioners during the year.

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

During fiscal year 2013, the County had no investments.

Interest is distributed to the General Fund and the Motor Vehicle Gas Tax Fund. The interest earned during 2013 amounted to $80,744 and $608 respectively.

Restricted Assets: Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. The County paid $321,000 to the Ohio Department of Transportation for their share of a project. However, as of December 31, 2013, none of these monies had been expended so this amount is recorded as a restricted asset “Cash, Cash Equivalents and Investments with Fiscal Agents”.

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

Interfund Assets and Liabilities: Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables.” Interfund assets and liabilities within governmental activities are eliminated on the statement of net position.

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

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

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

Land and construction in progress are not depreciated. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

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

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

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

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

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

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

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

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

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

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

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Other purposes restricted net position include various grants and other resources restricted for various purposes. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the County's restricted net position, none are restricted by enabling legislation.

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

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

Non-spendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the County Commissioners.

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

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

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

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

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

NOTE 3 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance for governmental funds (GAAP basis).
4. Certain other financing sources are recorded on a GAAP basis but are not recorded on a budget basis.
5. Advances-in and advances-out are recorded as other financing sources and uses on a budget basis as opposed to increases or decreases in interfund receivables or payables on a GAAP basis.
6. Certain funds are reported as part of the General fund on a GAAP basis, but are not reported as part of the General fund on the Budget basis.

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

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

Net Changes in Fund Balances
Major Governmental Funds

	General	Motor Vehicle Gas Tax	Board of Developmental Disablities	Emergency Medical Services
GAAP Basis	$ 144,906	$ 403,949	$ (363,399)	$ (9,773)
Increases (Decreases) Due to:				
Revenue Accruals	(25,372)	(12,611)	(28,561)	(14,550)
Expenditure Accruals	50,838	(328,403)	19,119	7,524
Encumbrances	(75,912)	(112,066)	(79,870)	(60,780)
Perspective Difference:				
Activity of Funds Reclassified				
For GAAP Reporting Purposes				
Non-Budgeted Funds	(72,402)	-	-	-
Budget Basis	$ 22,058	$ (49,131)	$ (452,711)	$ (77,579)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS – (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

Deposits At year-end, the County's bank balance of $16,983,701 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years. The last reappraisal was completed in 2010. Real property taxes are payable annually or semiannually. The first payment is due February 14, with the remainder payable by July 18.

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

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

Accrued property taxes receivables represent delinquent taxes outstanding and real and public utility taxes that were measurable and unpaid as of December 31, 2013. 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 2013 operations. The receivable is therefore offset by a credit to deferred inflows of resources. On the modified accrual basis, the entire receivable is deferred inflows of resources.

The full tax rate for all County operations for the year ended December 31, 2013, was $11.20 per $1,000 of assessed value. The assessed values of real property upon which 2013 property tax receipts were based are as follows:

Real Estate	
Residential/Agricultural	$ 459,629,140
Commercial/Industrial	49,500,640
Public Utilities	94,410
Minerals	647,860
Tangible Personal Property	
Public Utilities	59,782,490
Total Property Taxes	$ 569,654,540

NOTE 6 - PERMISSIVE SALES TAX

In prior years, the County Commissioners, by resolution, imposed a one percent tax on certain retail sales, made in the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited entirely to the General Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2013 amounted to $2,714,581.

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 2013 amounted to $776,010.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance at January 1, 2013	Additions	Deletions	Balance at December 31, 2013
Governmental Activities				
Non-Depreciable Capital Assets				
Land	$ 811,350	$ -	$ -	$ 811,350
Construction In Progress	119,434	150,186	(99,199)	170,421
Total Non-Depreciable Capital Assets	930,784	150,186	(99,199)	981,771
Depreciable Capital Assets				
Land Improvements	84,839	9,868	-	94,707
Buildings	4,170,406	54,317	-	4,224,723
Infrastructure	29,800,015	989,691	(35,630)	30,754,076
Vehicles	3,474,321	414,785	(164,043)	3,725,063
Machinery and Equipment	4,683,312	286,518	(177,686)	4,792,144
Total Depreciable Capital Assets	42,212,893	1,755,179	(377,359)	43,590,713
Less Accumulated Depreciation for				
Land Improvements	(40,670)	(6,400)	-	(47,070)
Buildings	(1,171,088)	(147,499)	-	(1,318,587)
Infrastructure	(12,383,280)	(1,218,313)	15,685	(13,585,908)
Vehicles	(1,983,082)	(209,140)	133,237	(2,058,985)
Machinery and Equipment	(2,753,677)	(306,564)	148,137	(2,912,104)
Total Accumulated Depreciation	(18,331,797)	(1,887,916)	297,059	(19,922,654)
Total Depreciable Capital Assets, Net	23,881,096	(132,737)	(80,300)	23,668,059
Governmental Activities Capital Assets, Net	$ 24,811,880	$ 17,449	$ (179,499)	$ 24,649,830

NOTE 7 - CAPITAL ASSETS – (CONTINUED)

	Balance at January 1, 2013	Additions	Deletions	Balance at December 31, 2013
Business Type Activities				
Non-Depreciable Capital Assets				
Land	$ 29,000	$ -	$ -	$ 29,000
Total Non-Depreciable Capital Assets	29,000	-	-	29,000
Depreciable Capital Assets				
Wastewater Treatment Plant	349,506	-	-	349,506
Collection System	1,812,885	3,199	-	1,816,084
Total Depreciable Capital Assets	2,162,391	3,199	-	2,165,590
Less Accumulated Depreciation for				
Wastewater Treatement Plant	(262,040)	(20,826)	-	(282,866)
Collection System	(727,653)	(36,477)	-	(764,130)
Total Accumulated Depreciation	(989,693)	(57,303)	-	(1,046,996)
Total Depreciable Capital Assets, Net	1,172,698	(54,104)	-	1,118,594
Business Type Activities Capital Assets, Net	$ 1,201,698	$ (54,104)	$ -	$ 1,147,594

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	$ 114,609
Judical	17,891
Public Safety	206,308
Public Works	1,378,372
Health	134,637
Human Services	36,099
Total Depreciation Expense - Governmental Activities	$ 1,887,916

NOTE 8 - INTERGOVERNMENTAL RECEIVABLES

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

Fund/Type	Amount
Major Funds	
General Fund	
Local Government	$ 198,999
Homestead Rollback	139,000
Other	138,671
Total General Fund	476,670
Motor Vehicle Gas Tax	
License, Gasoline & Permissive Taxes	1,654,084
Other	19,358
Total Motor Vehicle Gas Tax	1,673,442
Board of Developmental Disabilities	
Grants and Entitlements	177,936
Homestead Rollback	113,425
Total Board of Developmental Disablilities	291,361
Emergency Medical Services	
Homestead Rollback	117,515
Total Emergency Medical Services	117,515
Total Major Funds	2,558,988
Other Governmental Funds	
Grants and Entitlements	84,020
Homestead Rollback	14,806
Total Other Governmental Funds	98,826
Total Intergovernmental Receivables	
Governmental Funds	$ 2,657,814
Agency Funds	
License, Gasoline and Permissive Taxes	$ 461,216
Undivided Library Tax	406,314
Local Government	390,195
Other	123,318
Total Agency Funds	$ 1,381,043

NOTE 9 - RISK MANAGEMENT

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

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

In the event of losses, the member will pay the first $2,500 of any valid claim, except for electrical substations, transformers, and deep well pumps for which the deductible is $10,000. The Council's liability insurance carrier will pay up to the policy limits, after the deductible. Any liability or judgment that exceeds the policy limits goes back to Hocking County.

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

In the event of the termination of the Council, after sufficient time for payment of any potential claims and expense, any balance would be refunded to the members of the Council, pro-rated based upon their last year's contribution. During 2013, Hocking County paid $118,915 to the Council for insurance coverage. This jointly governed organization is a cost-sharing pool.

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

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

NOTE 10 - DEFINED BENEFIT RETIREMENT PLAN

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

Ohio Public Employees Retirement System

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

1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.

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

NOTE 10 - DEFINED BENEFIT RETIREMENT PLAN – (CONTINUED)

3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

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

6) OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

7) The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2013, 2012, and 2011 member contribution rates were 10.0%, 10.0%, and 10.0%, respectively, for members in state and local classifications and 12.0% and 12.6%, 11.5% and 12.10%, and 11.0% and 11.6%, respectively for members in public safety and law enforcement.

The 2013, 2012 and 2011 employer contribution rate for state and local government employers was 14.0%, 14.0%, and 14.0%, respectively, of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rates were 18.10%, 18.10%, and 18.10%, respectively.

The County's contributions to OPERS for the years ended December 31, 2013, 2012, and 2011, were $1,253,401, $1,442,139, and $1,496,126, respectively. 92.2% has been contributed for 2013 and 100% for years 2012 and 2011. Of the 2013 amount, $98,023 was unpaid at December 31, 2013 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, 2013, none of the elected officials had elected social security.

NOTE 11 - POST EMPLOYMENT BENEFITS

Public Employees Retirement System

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

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

NOTE 11 - POST EMPLOYMENT BENEFITS – (CONTINUED)

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

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

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

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

Employer contributions are expressed as a percentage of the covered payroll of active members. In 2013, 2012, and 2011, local government employer units contributed at 14.0%, 14.0%, and 14.0%, respectively, of covered payroll, and public safety and law enforcement employer units contributed at 18.10%, 18.10%, and 18.10%, respectively. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS’ Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar years 2012 and 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar years 2012 and 2011. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. The employer contributions that were used to fund post-employment benefits were $416,974, $479,094, and $495,745, for 2013, 2012 and 2011 respectively. 92.2% has been contributed for 2013 and 100% for years 2012 and 2011. Of the 2013 amount, $32,524 was unpaid at December 31, 2013 and is recorded as a liability within the respective funds.

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

NOTE 12 - OTHER EMPLOYEE BENEFITS

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

NOTE 13 - LONG-TERM DEBT

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

	Outstanding 12/31/2012	Increases	Decreases	Outstanding 12/31/2013	Due Within One Year
Long-Term Notes:					
2003 - 4.15% (Original Issue $277,692)					
Juvenile Detention Facility Note	$ 180,005	$ -	$ 13,238	$ 166,767	$ 13,787
2012 - 2.75% (Original Issue $520,000)					
Logan-Health Department	497,290	-	46,415	450,875	47,716
2007 - 0.00% (Original Issue $34,734)					
OPWC Note - TR 317 Bridge Replacement	3,473	-	3,473	-	-
2010 - 0.00% (Original Issue $202,000)					
OPWC Note - CR 33A Bridge Replacement	121,200	-	40,400	80,800	40,400
2008 - 3.9% (Original Issue $100,000)					
Citizens Bank Note - Gradall Hydraulic Excavator	20,000	-	20,000	-	-
2013 - 2.47% (Original Issue $69,000)					
Citizens Bank Note - Excavator	-	69,000	23,000	46,000	23,000
OWDA Loan - 2012 HSTS Project	-	73,419	73,419	-	-
OPWC Loan - 2013 County-City Paving Project	-	200,000	-	200,000	20,000
Total Long-Term Notes	821,968	342,419	219,945	944,442	144,903
Special Assessment Bonds:					
1996 - 5.5% (Original Issue $53,500)					
Rockbridge Sewer Special Assessment Bonds	18,100	-	3,300	14,800	3,500
Total Special Assessment Bonds	18,100	-	3,300	14,800	3,500
Capital Leases	79,921	81,538	53,197	108,262	52,411
Compensated Absences	790,439	761,275	900,780	650,934	99,769
Total General Long-Term Obligations	$ 1,710,428	$ 1,185,232	$ 1,177,222	$ 1,718,438	$ 300,583
Enterprise Funds					
1996 - 4.5% (Original Issue $333,000					
Rockbridge Sanitary Sewer Revenue Bonds	$ 273,600	$ -	$ 6,200	$ 267,400	$ 6,400
1991 - 5.875% (Original Issue $227,000)					
Haydenville Sewer FmHA Revenue Bonds	169,600	-	5,100	164,500	5,400
Total Revenue Bonds	443,200	-	11,300	431,900	11,800
Compensated Absences	5,275	9,945	6,716	8,504	1,507
Total Enterprise Fund	$ 448,475	$ 9,945	$ 18,016	$ 440,404	$ 13,307

NOTE 13 - LONG-TERM DEBT – (CONTINUED)

The County has pledged future special assessment revenues to repay $14,800 (original issue amounts of $53,500) in special assessment bonds issued in 1996. Proceeds from the bonds provided financing for the construction of the Rockbridge sewer lines. The bonds are payable solely from special assessment revenues and are payable through 2017. However, the County would be required to pay any deficit on these bonds if future special assessment revenues were not sufficient to make the debt service payments. Annual principal and interest payments on the bonds are expected to require all of the special assessment revenues. The total principal and interest remaining to be paid on the bonds is $16,498. Principal and interest paid for the current year and total special assessment revenues were $4,115, and $3,308.

The County has pledged future sewer customer revenues, net of specified operating expenses, to repay $267,400 and $164,500 (original issue amounts of $333,000 and $227,000) in sewer revenue bonds issued in 1996 and 1991, respectively. Proceeds from the bonds provided financing for the construction of the Rockbridge and Haydenville wastewater treatment facilities. The bonds are payable solely from sewer customer net revenues and are payable through 2037. Annual principal and interest payments on the bonds are expected to require approximately 46 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $713,661. Principal and interest paid for the current year and total customer net revenues were $33,576 and $73,491, respectively.

The compensated absences liability will be paid from the fund, from which the employees are paid, with the most significant funds being the General Fund, Motor Vehicle Gas Tax Fund, Board of Developmental Disabilities Fund, and the Emergency Medical Services Fund.

During 2003, the County issued long-term notes at 4.15% in the amount of $277,692, for the purpose of assisting in the County's share of the Juvenile Detention Facilities. The notes are being paid from the debt service fund.

During 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 was repaid during 2013.

During 2008, the County issued a long term note from Citizens Bank. The note was in the amount of $100,000 at 3.9% interest for the purpose of purchasing a Gradall Hydraulic Excavator. The note was repaid during 2013.

During 2010, the County issued a long term note from the Ohio Public Works Commission in the amount of $202,000 at 0% interest for the purpose of replacing the County Road 33A Bridge. The note is being repaid from the Motor Vehicle Gas Tax Fund.

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

During 2013, the County issued an OWDA loan in the amount of $73,419 for the Home Sewage Treatment System (HSTS) project. The OWDA loan was paid in 2013 by grant funding from the American Reinvestment and Recovery Act.

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

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

NOTE 13 - LONG-TERM DEBT – (CONTINUED)

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

	Logan-Health Department Notes		Special Assessment Bonds		Sanitary Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 47,716	$ 12,222	$ 3,500	$ 666	$ 11,800	$ 21,697
2015	49,054	10,884	3,600	509	12,400	21,092
2016	50,402	9,536	3,800	347	13,000	20,456
2017	51,842	8,096	3,900	176	13,700	19,788
2018	53,295	6,843	-	-	14,500	19,084
2019-2023	198,566	11,217	-	-	84,000	83,462
2024-2028	-	-	-	-	108,100	59,413
2029-2033	-	-	-	-	108,200	29,157
2034-2037	-	-	-	-	66,200	7,612
Totals	$ 450,875	$ 58,798	$ 14,800	$ 1,698	$ 431,900	$ 281,761

	Juvenile Detention Facility Notes		CR33A Bridge Replacement OPWC		CR09Q County-City Paving Project OPWC	Citizens Bank Note Excavator Notes	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2014	$ 13,787	$ 6,921	$ 40,400	$ -	$ 20,000	$ 23,000	$ 1,152
2015	14,359	6,349	40,400	-	40,000	23,000	576
2016	14,940	5,768	-	-	40,000	-	-
2017	15,575	5,133	-	-	40,000	-	-
2018	16,221	4,486	-	-	40,000	-	-
2019-2023	91,885	11,767	-	-	20,000	-	-
Totals	$ 166,767	$ 40,424	$ 80,800	$ -	$ 200,000	$ 46,000	$ 1,728

Hocking Valley Community Hospital is responsible for the debt service on the 1993 Hospital Refunding and Improvement Bonds and the 1999 County Hospital Refunding and Improvement Bonds. The County is not reporting this debt as part of the County's Primary Government. The Hospital is responsible for paying off this debt; therefore, the debt is being reported within the Hocking Valley Community Hospital, a discretely presented component unit of the County. In the event that the Hospital would fail to pay the debt, the County would be responsible for making payment.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In previous fiscal years, the County entered into capital leases for various vehicles and equipment. During 2013 the County entered into a capital lease for copiers, and two vehicles. The leases were recorded as an other financing source and capital outlay in the amount of $81,538 in the governmental funds. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. The leases are being repaid from the General Fund, the Board of Developmental Disabilities Fund, and the Senior Citizens Fund.

The capital assets acquired by the leases have been capitalized in the statement of net position for governmental activities in the amount of $191,682 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2013 totaled $53,197 in the governmental funds. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2013.

Fiscal Year Ending June 30,	Amount
2014	$ 61,828
2015	38,697
2016	13,990
2017	6,773
2018	1,309
Total	122,597
Less Amount Representing Interest	(14,335)
Present Value of Net Minimum Lease Payments	$ 108,262

NOTE 15 - INTERFUND TRANSACTIONS

As of December 31, 2013, receivables and payables that resulted from various interfund transactions were as follows. The County's General Fund made advances to other funds in anticipation of intergovernmental grant revenue. These will be repaid in fiscal year 2014. Due to Other/From Other Funds balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payment is made.

	Interfund Payables	Interfund Receivables	Due to Other Funds	Due From Other Funds
Major Funds:				
General	$ -	$ 30,000	$ -	$ -
Motor Vehicle Gas Tax	-	-	-	1,526
Board of Developmental Disabilities	-	-	-	1,800
EMS	-	-	1,526	-
Total Major Funds	-	30,000	1,526	3,326
Non-Major Special Revenue Funds:				
Mental Health Collaboration	15,000	-	-	-
Family and Children First	-	-	1,800	-
Adult Felony Drug Court	15,000	-	-	-
Total Non-Major Special Revenue Funds	30,000	-	1,800	-
Total All Funds	$ 30,000	$ 30,000	$ 3,326	$ 3,326

NOTE 15 - INTERFUND TRANSACTIONS - (CONTINUED)

Fund Type/Fund	Transfers In	Transfers Out
Major Funds		
General Fund	$ -	$ 57,647
Motor Vehicle Gas Tax	26,966	-
Board of Developmental Disablilities	-	85,000
Total Major Funds	26,966	142,647
Other Governmental Funds		
Non-Major Special Revenue Funds		
VOCA Grant	22,401	-
FEMA - Auto Gas	-	26,966
Senior Citizens	-	20,000
Municipal Clerk's Computer	14,538	-
Total Non-Major Special Revenue Funds	36,939	46,966
Non-Major Capital Projects Funds		
DD Permanent Improvement Fund	85,000	-
Capital Projects - SHSC	20,000	-
Total Non-Major Capital Projects Funds	105,000	-
Non-Major Debt Service Funds		
General Obligation Debt Fund	20,708	-
Total Non-Major Debt Service Funds	20,708	-
Total Other Governemental Funds	162,647	46,966
Total All Funds	$ 189,613	$ 189,613

During the year, the County provided transfers from the General Fund to the various funds to subsidize them in accordance with the funds' needs or to provide resources to make debt service payments. The transfer from the Board of Developmental Disabilities Fund to the DD Permanent Improvement Fund is to provide for capital projects within the DD Permanent Improvement Fund. The transfer from the Senior Center fund to the Capital Projects fund is to provide for capital improvements to the Senior Center. The transfer from the FEMA fund to the Motor Vehicle Gas Tax fund was to reimburse for expenditures made on behalf of the FEMA fund. All transfers were done in accordance with the Ohio Revised Code.

NOTE 16- JOINTLY GOVERNED ORGANIZATIONS

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

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

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

Athens/Hocking Joint Solid Waste Management District

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

Buckeye Joint-County Self Insurance Council

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

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

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

NOTE 17 – JOINT VENTURES

Corrections Commission of Southeastern Ohio

The County is a participant with Athens, Morgan and Perry Counties in the Corrections Commission of Southeastern Ohio (the Commission) which is a joint venture of the participating counties. The purpose of the Commission is to augment the county jail programs and facilities. The operation of the Commission allows for the humane and constitutional detention of persons who cannot be released to less restrictive alternatives. The participating Boards of County Commissioners established the Commission. The Commission is directed by the Sheriff of each participating county, the presiding Judge of the Court of Common Pleas of each participating county, and the current president of each participating Board of County Commissioners. Each county is obligated to provide financial support to this entity through per diem charges and assessments that are based on the number of beds contractually assigned to each county in proportion to the total number of beds of all participating counties. The County has an ongoing financial responsibility for this entity and, during 2013, contributed $731,332 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.

South Central Ohio Job and Family Services

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

NOTE 18 – CONTINGENT LIABILITIES

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

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

NOTE 19 – RELATED PARTY RELATIONSHIP

On May 8, 2008, the County guaranteed a loan for the Hocking County Agricultural Society restroom/shower facility construction project, using the fairgrounds as collateral. The original loan balance was $140,000 with annual debt service principal requirements of $9,333, plus interest, for a term of 15 years. This loan carries an interest rate of 6.25%. As of December 31, 2013, the outstanding balance on this loan was $43,451. This balance is not recognized as a liability in the County's basic financial statements because the Agricultural Society is primarily liable and has not yet been in default of the debt agreement.

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES

For 2013, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34" and GASB Statement No. 66, "Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62."

Statement No. 61 modifies certain requirements for the inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations.

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

The implementation of GASB Statements No. 61 and 66 had no effect on the financial statements.

NOTE 21 – FUND BALANCES

Fund Balances	General	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Unclaimed Monies	$ 137,534	$ -	$ -	$ -	$ -	$ 137,534
Materials & Supplies Inventories	-	349,989	-	-	-	349,989
Total of Nonspendable	137,534	349,989	-	-	-	487,523
Restricted For:						
Debt Service	-	-	-	-	25,957	25,957
Capital Projects	-	-	-	-	797,369	797,369
Family and Children First	-	-	-	-	210,189	210,189
Motor Vehicle Gas Tax	-	1,979,608	-	-	-	1,979,608
Senior Citizens	-	-	-	-	362,154	362,154
Hocking County 911	-	-	-	-	1,094,551	1,094,551
Law Library	-	-	-	-	147,312	147,312
Board of Developmental Disabilities	-	-	1,165,279	-	-	1,165,279
Emergency Medical Services	-	-	-	551,180	-	551,180
Real Estate Assessment	-	-	-	-	1,336,670	1,336,670
Other Purposes	-	-	-	-	1,471,518	1,471,518
Total Restricted	-	1,979,608	1,165,279	551,180	5,445,720	9,141,787
Committed	20,105	-	-	-	-	20,105
Assigned	60,725	-	-	-	-	60,725
Unassigned (deficit)	3,721,262	-	-	-	(35,459)	3,685,803
Total Fund Balances	$ 3,939,626	$ 2,329,597	$ 1,165,279	$ 551,180	$ 5,410,261	$ 13,395,943

NOTE 22 – ACCOUNTABILITY

As of December 31, 2013, the Capital Projects – SHSC Capital Projects Fund and the Municipal Court Legal Research, Hocking County Integrated Intervention/CCA, Mental Health Collaboration-Juvenile, and the Drug Court Enhancement Project – Municipal Special Revenue Funds had deficit fund balances in the amount of $6,430, $28,015, $78, $873, and $63, respectively due to the implementation of GAAP.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL

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

Note 1. Reporting Entity

Hocking Valley Community Hospital (the Hospital), located in Hocking County, Logan, Ohio, is organized as a county hospital under provisions of the general statutes of the State of Ohio requiring no specific articles of incorporation. The organization is exempt from Federal income taxes. The Board of Trustees, appointed by the county commissioners and the probate and common pleas court judges, is charged with the management and operation of the Hospital, its finances and staff. The Hospital is considered a component unit of Hocking County, Ohio and is included as a component unit in the basic financial statements of Hocking County.

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

Note 2. Summary of Significant Accounting Policies

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

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

For reporting purposes, Hocking County has only included the financial statements of the Hospital on the County's Statement of Net Position and Statement of Activities. Additional information regarding the Hospital and the Foundation may be obtained from Hocking Valley Community Hospital, 601 State Route 664 North, Logan, Ohio 43138.

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

Statement of Revenues, Expenses and Changes in Net Position: The Hospital recognizes as operating revenues those transactions that are major or central to the provision of health care services. Operating revenues include those revenues received for direct patient care, grants received from organizations as reimbursement for patient care, and other incidental revenue associated with patient care. Operating expenses include those costs associated with providing patient care including costs of professional care, operating the hospital facilities, administrative expenses, and depreciation and amortization. Nonoperating revenues include investment income and grants and contributions received for purposes other than capital asset acquisition. Nonoperating expenses include interest expense and expenses for funding to the foundation which represent amounts paid to the foundation for the benefit of Hocking Valley Medical Group (see Note 13 within Note 23). For reporting purposes, Hocking County has only included the financial statements of the Hospital on the County's Statement of Net Position and Statement of Activities.

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

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

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets are reported at historical cost. Contributed capital assets are recorded at their estimated fair value at the time of their donation. Expenditures for capital assets must exceed $1,000 in order for them to be capitalized. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

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

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

Costs of borrowings: Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in 2013 because management determined that the overall impact to the Hospital's financial statements is immaterial.

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

Net position: Net position of the Hospital is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position results when constraints placed on the use of the net position are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is remaining net position that does not meet the previously stated criterion.

Risk management: The Hospital is exposed to various risks of loss related to torts; theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital is self-insured for employee health insurance. For the employee health claims, a historical analysis has been performed of incurred but not reported claims to determine the liability at December 31, 2013. For medical malpractice, the Hospital has professional liability insurance with a commercial carrier.

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

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

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

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

Concentration risk: Financial instruments that potentially subject the Hospital and the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and for the Hospital, patient accounts receivable.

The Hospital and the Foundation place their cash and cash equivalents with high credit quality financial institutions.

As it relates to the Hospital, concentration of credit risk relating to patient accounts receivable is limited to some extent by the diversity and number of the patients and payors. Patient accounts receivable consists of amounts due from government programs, commercial insurance companies, private pay patients, and other group insurance programs. Excluding governmental programs, no payor source represents more than 10% of the patient accounts receivable. The Hospital maintains an allowance for uncollectible accounts based on the expected collectability of patient accounts receivable.

Upper payment limit: In September 2001, the State of Ohio Supplemental Upper Payment Limit program for Public Hospitals (UPL) was approved by the Centers for Medicare and Medicaid Services (CMS). This program provides access to available federal funding up to 100% of the Medicare upper payment limits for inpatient hospital services rendered by Ohio Public Hospitals to Ohio Medicaid consumers. The State of Ohio fiscal year 2011/2012 budget also included an expansion of the UPL program to outpatient services for the first time. The Hospital received $696,443 in outpatient UPL payments in 2013. The net amount recorded in net patient service revenue for UPL by the Hospital was $696,443 in 2013.

Hospital Care Assurance Program (HCAP): As a public health care provider, the Hospital renders services to residents of Hocking County and others regardless of ability to pay. HCAP is the Ohio Department of Job and Family Services' mechanism for meeting the federal requirement to provide additional payments to hospitals that provide a disproportionate share of uncompensated services to the indigent and uninsured. HCAP amounts included in net patient service revenue amount to $530,785 for the year ended December 31, 2013 which represents the difference between the Hospital's 2013 allocation in the amount of $750,144 and the assessments paid by the Hospital in the amount of $219,359. Included in net patient accounts receivable is $750,144 related to HCAP which was received in the first quarter of 2014.

Charity care: The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies and equivalent service statistics. Charges forgone under the Hospital's charity care policy were $3,599,550 in 2013.

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

Note 3. Changes in Accounting Principles and Recent Accounting Pronouncements

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

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

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations. The Hospital implemented the provisions of this Statement for the year ended December 31, 2013. There was an impact to the financial statements as a result of the application of this Statement. See Note 15 within Note 23.

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

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

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions,* requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The Hospital is required to implement the provisions of this Statement for the year ending December 31, 2015.

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

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

Note 3. Changes in Accounting Principles and Recent Accounting Pronouncements (Continued)

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

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

Note 4. Deposits and Investments

Deposits

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

Custodial credit risk: Custodial credit risk is the risk that, in the event of bank failure, the Hospital's deposits might not be recovered. The Hospital's investment policy does not address custodial credit risk.

The bank balances of the Hospital's deposits at December 31, 2013, totaled $909,772, and were subject to the following categories of custodial credit risk:

	2013
Uncollateralized	$ -
Collateralized with securities held by the pledging institution's trust department, but not in the Hospital's name	600,137
Total amount subject to custodial risk	600,137
Amount insured	309,635
Total bank balances	$ 909,772

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

Note 4. Deposits and Investments (Continued)

Investments

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

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

The Hospital's investments generally are reported at fair value, as discussed in Note 1. At December 31, 2013, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

		Investment Maturities	
	2013	Less than 1 Year	1-5 Years
U.S. Government Agencies			
AA+	$ 3,423	$ -	$ 3,423
Money Market Funds			
AAA	119,731	119,731	-
Not rated	340,391	340,391	-
	$ 463,545	$ 460,122	$ 3,423

Interest Rate Risk: The Hospital's investment policies limit investment portfolios to maturities of five years or less. All of the Hospital's investments at December 31, 2013, have effective maturity dates of less than five years.

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

The Foundation: As of December 31, 2013, the fair values of the Foundation's investments were as follows:

Mutual funds	$ 342,770
Exchange traded funds	78,548
Money market funds	289
Privately held common stock	155,017
Total investments	$ 576,624

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

Note 4. Deposits and Investments (Continued)

The Foundation's investments are reflected in the statement of net position as follows at December 31, 2013:

Investments - current assets	$ 348,362
Restricted investments - noncurrent assets	228,262
Total	$ 576,624

The Foundation's investment income for the year ended December 31, 2013 consisted of the following:

Interest and dividends, net of investment management fees	$ 22,655
Net change in unrealized gains	59,337
Total	$ 81,992

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

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

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

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

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

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

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

Note 4. Deposits and Investments (Continued)

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

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

Privately held common stock: The investment is comprised of holdings in a private corporation's class A common stock. The investment is valued at fair value from reports provided by the corporation's management. Because of the inherent uncertainty of the valuation, the fair values may differ significantly from values that would have been used had a ready market for these investments existed, and the differences could be material. The Foundation is credited a pro rata share of investment returns based upon units of ownership interest.

The following investments were measured at fair value on a recurring basis as of December 31, 2013, using unadjusted quote prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	Level 1	Level 2	Level 3	Total
Exchange traded funds				
Bonds, Aa	$ 40,506	$ -	$ -	$ 40,506
Domestic	32,272	-	-	32,272
International	5,770	-	-	5,770
Mutual funds				
Domestic	255,845	-	-	255,845
International	86,925	-	-	86,925
Privately held common stock	-	-	155,017	155,017
	$ 421,318	$ -	$ 155,017	576,335
Money market funds				289
Total				$ 576,624

The following table represents a reconciliation of activity for the Level 3 privately held common stock:

	Total
Balance, January 1, 2013	$ 142,543
Investment Income	12,474
Balance, December 31, 2013	$ 155,017

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

Note 5. Capital Assets

Capital assets additions, retirements and balances as of and for the year ended December 31, 2013:

2013	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 255,120	$ -	$ -	$ 255,120
Construction in progress	499,060	687,846	(815,446)	371,460
Total nondepreciated capital assets	754,180	687,846	(815,446)	626,580
Depreciable capital assets:				
Land improvements	428,585	10,590	-	439,175
Buildings and improvements	14,260,626	51,276	778,153	15,090,055
Equipment	11,994,009	782,590	(7,707)	12,768,892
Total depreciated capital assets	26,683,220	844,456	770,446	28,298,122
Less accumulated depreciation				
Land improvements	(315,892)	(13,746)	-	(329,638)
Buildings and improvements	(7,483,863)	(432,328)	-	(7,916,191)
Equipment	(8,689,300)	(962,988)	23,774	(9,628,514)
Total accumulated depreciation	(16,489,055)	(1,409,062)	23,774	(17,874,343)
Total depreciable capital assets, net	10,194,165	(564,606)	794,220	10,423,779
Total capital assets, net	$ 10,948,345	$ 123,240	$ (21,226)	$ 11,050,359

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

Note 5. Capital Assets (Continued)

Total depreciation expense related to capital assets for 2013 was $1,409,062.

The cost of equipment under capital lease included in capital assets as of December 31, 2013 was as follows:

	2013
Cost of equipment under capital lease	$ 3,209,152
Accumulated amortization	(1,516,818)
Net carrying amount	$ 1,692,334

Note 6. Line of Credit

The Hospital has a $1,000,000 line of credit with a bank. There were no amounts outstanding at December 31, 2013. Interest on the line of credit is a variable rate equal to Prime plus .87%, which was approximately 4.12% at December 31, 2013. The loan is secured by patient accounts receivable, which have a net book value of $4,468,632 at December 31, 2013.

Note 7. Long-Term Debt and Capital Lease Obligations

Information regarding the Hospital's long-term debt and capital lease activity and balances as of and for the year ended December 31, 2013 is as follows:

	2013				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
1993 County Hospital Refunding and Improvement Bond Series	$ 65,000	$ -	$ (65,000)	$ -	$ -
1999 County Hospital Refunding and Improvement Bond Series	1,170,000	-	(145,000)	1,025,000	150,000
Note payable, Hocking Valley Community Hospital Memorial Fund, Inc.	330,002	170,000	-	500,002	300,000
Capital lease obligations	1,133,494	575,868	(534,693)	1,174,669	440,116
	2,698,496	745,868	(744,693)	2,699,671	890,116
Bond discount	(18,960)	-	4,805	(14,155)	-
Long-term debt	$ 2,679,536	$ 745,868	$ (739,888)	$ 2,685,516	$ 890,116

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

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

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

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

The 1999 Bonds are unvoted general obligations of the County. The 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.

The Hospital's note payable to the Foundation requires quarterly payments of $25,000 commencing March 2012 through December 2016, when a final payment of $25,002 is due. The proceeds of the note were used to construct certain Hospital improvements. The note is uncollateralized and has a service fee payable with each quarterly payment at a rate equal to 0.25% plus the highest certificate of deposit rate of any certificate of deposit held by the Foundation. Interest per the agreement was 0% and management determined that imputed interest was immaterial. The Foundation has reflected this balance as a corresponding note receivable on its statement of net position at December 31, 2013. For purposes of reporting on Hocking County's basic financial statements the note payable and note receivable have been eliminated from the Statement of Net Position.

Capital lease obligations have varying rates of imputed interest ranging from 0.6% to 18.3%. The obligations are collateralized by leased equipment and mature at varying amounts through 2018.

Long-term debt and capital lease obligation payment requirements for fiscal years subsequent to December 31, 2013, are as follows:

	Capital Lease Obligations			Long-Term Debt		
	Principal	Interest	Total	Principal	Interest	Total
2014	$ 440,116	$ 71,085	$ 511,201	$ 450,000	$ 48,688	$ 498,688
2015	289,817	44,951	334,768	260,000	41,563	301,563
2016	199,615	27,415	227,030	265,002	33,963	298,965
2017	189,460	9,984	199,444	175,000	26,125	201,125
2018	55,661	688	56,349	185,000	17,813	202,813
2019	-	-	-	190,000	9,025	199,025
	$ 1,174,669	$ 154,123	$ 1,328,792	$ 1,525,002	$ 177,177	$ 1,702,179
Bond discount				(14,155)		
Total long-term debt, net				$ 1,510,847		

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

Note 8. Estimated Amounts Due to Third-Party Payors

The Hospital has agreements with third-party payors that provide for payment of amounts different from established rates. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined. See Note 11 within Note 23 for additional information. As of December 31, 2013, management has determined that there are no amounts due to third-party payors. The Hospital recorded a favorable adjustment to net patient revenue of $362,049 due to prior year retroactive adjustments to amounts previously estimated.

Note 9. Other Long-Term Liabilities

Compensated absences: The Hospital's employees earn vacation time at varying rates depending on years of service. Employees may accumulate vacation time, up to 400 hours, to be carried over to the subsequent year. The Hospital's employees also earn sick leave on an annual basis at a flat rate regardless of years of service. Upon retirement, employees with a minimum of 5 years of service have sick leave balances paid out at 25% of eligible hours at their current rate of pay. The maximum payout is 240 hours. As of December 31, 2013, the liability for accrued vacation and sick leave was $922,004.

Other Long-Term Liabilities: Information regarding the Hospital's other long-term liabilities activity and balances as of and for the year ended December 31, 2013 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Amounts due to third-party payors	$ 362,049	$ -	$ 362,049	$ -	$ -
Accrued vacation	829,950	299,789	352,700	777,039	315,872
Accrued sick leave	386,938	86,750	328,723	144,965	14,539
	$ 1,578,937	$ 386,539	$ 1,043,472	$ 922,004	$ 330,411

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

Note 9. Other Long-Term Liabilities (Continued)

Risk management: The Hospital is exposed to various risks of loss related to torts; theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital is self-insured for employee health insurance. For the employee health claims, a historical analysis has been performed of incurred but not reported claims to determine the liability at December 31, 2013. For medical malpractice, the Hospital has professional liability insurance with a commercial carrier. Coverage is $1,000,000 per occurrence and $3,000,000 in the annual aggregate. In addition, the Hospital has umbrella coverage of $2,000,000 per occurrence and $2,000,000 in the annual aggregate. The policy also requires that certain members of the medical staff carry professional liability coverage of no less than $1,000,000 per occurrence and $3,000,000 in the annual aggregate. The Hospital's coverage is on a claims made basis. Settled claims for medical malpractice have not exceeded insurance coverage in any of the past three years.

Losses from asserted and unasserted claims identified under the Hospital's incident reporting systems are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. There is no liability for medical malpractice at December 31, 2013. The liability for estimated self-insured employee health claims includes estimates of the ultimate costs for both reported claims and incurred but not reported claims, and activity and balances as of and for the years ended December 31, 2013 and 2012 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2013	$ 330,377	$ 3,351,164	$ 3,388,243	$ 293,298	$ 293,298
2012	200,000	3,641,131	3,510,754	330,377	330,377

Note 10. Endowment

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

Interpretation of relevant law: The Board of Directors of the Foundation has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as restricted, nonspendable net position as (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. In addition, UMIFA introduced the concept of total return expenditure of endowment net position for charitable program purposes, expressly permitting prudent expenditure of endowment net position for charitable program purposes, expressly permitting prudent expenditure of both appreciation and income. Thus asset growth and income can be appropriated for program purposes, subject to the rule that a fund cannot be spent below "historic dollar value." Beginning June 1, 2009, in accordance with the State Prudent Management of Institutional Funds Act (UPMIFA), the portion of the donor-restricted endowment fund that is not classified in restricted, nonspendable net position will be classified as restricted, program activities net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation will consider the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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

Note 10. Endowment (Continued)

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

Changes in net position related to endowments for the year ended December 31, 2013 are as follows:

	Unrestricted Net Position	Restricted Net Position	Restricted, Nonspendable Net Position	Total
Balance at January 1, 2013	$ 290,000	$ 52,710	$ 139,236	$ 481,946
Net investment income	-	36,316	-	36,316
Balance at December 31, 2013	$ 290,000	$ 89,026	$ 139,236	$ 518,262

Endowment net position composition by type of fund as of December 31, 2013 is as follows:

	Unrestricted Net Position	Restricted Net Position	Restricted, Nonspendable Net Position	Total
Funds functioning as endowment	$ 290,000	$ -	$ -	$ 290,000
Donor-restricted endowment	-	89,026	139,236	228,262
	$ 290,000	$ 89,026	$ 139,236	$ 518,262

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

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

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

Note 10. Endowment (Continued)

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

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

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

Note 11. Net Patient Service Revenue

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

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

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

The closure of the Hospital's Extended Care Facility was announced on October 1, 2012 and the official closing date was December 31, 2012.

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

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

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

Note 11. Net Patient Service Revenue (Continued)

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

During the year ended December 31, 2013, the Hospital recognized approximately $1.3 million in meaningful-use incentive payments based on the undepreciated cost of capital assets related to HER technology. The Hospital views the earnings process as having been completed in the period in which the meaningful-use criteria are met and therefore recognized the entire payment as revenue at that time. Because the incentive payments are directly linked to the payments the Hospital receives for providing care to Medicare beneficiaries, the Hospital considers the incentive payments to be part of net patient service revenue.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge. Medicaid outpatient services are reimbursed based upon the lesser of the Hospital’s charge or predetermined fee schedule amounts. Capital related expenditures are subject to annual cost report settlement.

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

In 2013, approximately 51% of the Hospital’s total net patient revenue was derived from Medicare payments while 6% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance payments.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Differences between the estimated amounts accrued at interim and final settlements are reported in the statement of activities in the year of settlement. The Hospital had a favorable adjustment of $362,049 to net patient service revenue in 2013 due to the removal of allowances that were no longer considered necessary based on tentative or final settlements in excess of amounts previously estimated.

Gross patient service revenue and the allowances to reconcile to net patient service revenue for the year ended December 31, 2013 is as follows:

	2013
Gross patient service revenue	$ 75,386,124
Less third-party contractual allowances	37,545,629
Less provision for bad debts	3,786,487
Net patient service revenue	$ 34,054,008

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

Note 12. Benefit Plans

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

OPERS issues a stand-alone financial report and may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377. The Ohio Revised Code provides statutory authority for employee and employer contributions.

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

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

In order to qualify for post employment healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit.

Healthcare coverage of disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

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

OPERS' Post Employment HealthCare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to healthcare for members in the Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2% for both plans, as recommended by the OPERS actuary.

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

Note 12. Benefit Plans (Continued)

The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Hospital's contributions for 2013 used to fund post employment healthcare benefits were $503,116, which is included in the Hospital's contractually required contribution of $1,760,995 for the year ended December 31, 2013.

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

Contributions: For 2013, employees contributed at a rate of 10.0% of covered payroll for pension and post employment benefits. The employer contribution rates are expressed as a percentage of the covered payroll of active members. State and local employers contributed at a rate of 13.0% and 1.0% of covered payroll for the pension and post employment benefit plans, respectively. Member and employer contribution rates were consistent across all three pension plans. Employee contributions to OPERS for the year ended December 31, 2013 were $1,258,638. The Hospital's contributions to OPERS for the year ended December 31, 2013 were $1,760,995, equal to the required contribution for the year. Active members do not make contributions to the OPEB Plan.

Note 13. Related Parties

Hocking Valley Medical Group, Inc. (HVMG): HVMG is organized as a separate not-for-profit stock professional corporation. The purpose of HVMG is to engage in the practice and to render the professional services of medicine and to further the charitable purposes of the Foundation and the Hospital. The financial activities of HVMG are not consolidated with that of the Foundation because of the absence of the required criteria, control and economic interest, that would require consolidation. During the year ended December 31, 2013, the Hospital disbursed funds totaling $1,826,000 on behalf of HVMG to fund operating deficits. These amounts were paid to the Foundation, who acting as fiscal agent, remitted the funds to HVMG. There were no amounts due to or receivable from HVMG at December 31, 2013.

Hocking Valley Health Services: Hocking Valley Health Services (HVHS) is a not-for-profit membership corporation located in Logan, Ohio. The purpose of HVHS is to provide healthcare and physician services and to own, lease, operate and/or provide healthcare facilities for the promotion of health in the area served by the Hospital. Additionally, HVHS is to conduct strategic healthcare planning and otherwise operate exclusively for the benefit and support of the Board of Trustees of the Hospital. The Board of Trustees of HVHS is elected by HVHS' members. The Board of Trustees of the Hospital controls 50% of the voting rights of the HVHS Board. HVHS has not entered into any financial activities as of or for the year ended December 31, 2013. Therefore, the Hospital's financial statements exclude the activities of HVHS.

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

Note 14. Commitments and Contingencies

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

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

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

Note 15. Restatement for Implementation of a New Accounting Standard

For the year ended December 31, 2013, the Hospital implemented the provisions of GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. Among other changes, this Statement changed the manner in which governments account for most debt issuance costs. Under this Statement, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as expense in the period incurred. As a result of implementing this Statement, the Hospital was required to remove debt issuance costs that had previously been reported as deferred financing costs, net, and restate net position to the earliest period presented. The Hospital also has included the Foundation as a discretely presented component unit as of January 1, 2013. The effect of the restatement on net position is as follows:

	Hospital	Foundation	Combined Hospital
Net Position, as previously reported, January 1	$ 9,201,877	$ -	$ 9,201,877
Adjustment to write-off debt issuance costs	(22,754)	-	(22,754)
Adjustment to record Foundation Net Position	-	2,103,541	2,103,541
Net Position as restated, January 1	$ 9,179,123	$ 2,103,541	$ 11,282,664

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

As indicated in Note 1 to the basic financial statements, the following disclosures are made on behalf of Hocking Valley Industries, Inc. as of December 31, 2013:

NOTE A ORGANIZATION AND OPERATIONS

Hocking Valley Industries, Inc. (hereafter referred to as "the Agency") is incorporated in the State of Ohio. The Agency provides employment opportunities and habilitation programming for the mentally and physically handicapped through a sheltered workshop and cleaning and lawn care services provided to local businesses and government.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The financial statement presentation follows the recommendations of the FASB Accounting Standards Codification Financial Accounting Statements of Not-for-Profit Organizations. Under this standard, the Agency is required to report information regarding its financial position and activities according to three classes of net position as follows:

Unrestricted net position – Net position that is not subject to donor-imposed stipulations.

Temporarily restricted net position – Net position that is subject to donor-imposed restrictions that may or will be met, either by actions of the Agency and/or the passage of time.

Permanently restricted net position – Net position subject to donor-imposed stipulations that they be maintained permanently by the Agency.

There was no temporarily or permanently restricted net position as of December 31, 2013.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Agency considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is reported. Management establishes an allowance for doubtful accounts when it determines amounts become uncollectible.

Inventory

Inventory consists primarily of janitorial and contract supplies and is priced at cost, principally first in, first out.

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

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

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

Depreciation

Depreciation is computed using the accelerated cost recovery system and the modified accelerated depreciation system (straight-line) as appropriate. The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation expense was $10,411 for the year ended December 31, 2013.

Presentation of Sales Tax

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was $907 for the year ended December 31, 2013.

Income Taxes

The Agency follows accounting rules that prescribe when to recognize and how to measure the financial effects, if any, of income tax positions taken or expected to be taken on its income tax returns, including the position that the Agency continues to qualify to be treated as non-for-profit organization exempt from income tax provisions. Management is required to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

The Agency is a not-for-profit voluntary agency exempt from income tax under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been made in the financial statements. The Agency's informational returns for tax years 2010 and beyond remain subject to examination by Internal Revenue Service.

The Agency did not have unrecognized tax benefits as of December 31, 2013 and does not expect this to change significantly over the next 12 months. The Agency will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2013, the Agency has not accrued interest or penalties related to uncertain tax positions.

Vacation Accrual

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

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

Vacation time can carry over from year to year. The Agency accrued vacation benefits as of December 31, 2013 which amounted to $3,743.

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

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

Substantially all of the Agency's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instrument. Other financial instruments consist of long term obligations. The fair value of long-term obligations is estimated based on current interest rates offered to the Agency for obligations with similar remaining maturities. The recorded value of these financial instruments approximated fair value at December 31, 2013.

Concentration of Credit Risk

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

Recent Accounting Pronouncements

In April 2013, the FASB issued Not-for-Profit Entities (Topic 958) Services Received from Personnel of an Affiliate (ASU 2013-06). The amendments in this Update apply to not-for-profit entities that receive services from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity. The amendments require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and should be measured at the cost recognized by the affiliate for personnel providing those services. The amendments in this Update are effective prospectively for fiscal years beginning after June 15, 2014 and early adoption is permitted. The Agency is in compliance with the amendments and the services from personnel of an affiliate that directly benefits the Agency is recorded as In-kind contribution - Hocking County.

NOTE C FUNCTIONAL EXPENSES

The costs of providing the Agency's various programs and supporting services have been summarized on a functional basis in the statement of activities. Expenses are charged directly to program, management and general, or fundraising based on a combination of specific identification and allocation by management.

NOTE D RELATED PARTY TRANSACTIONS

Leases

The Agency is a component unit of the Hocking Valley Board of Developmental Disabilities (169 Board), and the Agency leases its premises from the 169 Board. The rental fees were waived by the 169 Board for 2013.

In-Kind Contributions

In-kind contributions represent the value of salaries, administrative services, and capital costs provided by 169 Board in the amount of $363,782 for the year ended December 31, 2013. The Agency recognizes this as revenue and corresponding expense on the statements of activities.

Other Related Party Transactions

The Agency receives grants and is reimbursed for expenses by the 169 Board which is recorded as revenue in the amount of $74,736 for the year ended December 31, 2013. The Agency provided cleaning services to the 169 Board during 2013 in the amount of $17,899 of which the Accounts Receivable balance due from the 169 Board was $2,826 as of December 31, 2013. Expenses paid by the Agency to 169 Board amounted to $35,533 as of December 31, 2013. There was no accounts payable for expense reimbursement due to the 169 Board as of December 31, 2013.

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

NOTE E NOTES PAYABLE

During 2009, the Agency purchased a shredder that they financed through the Citizens Bank of Logan in the amount of $11,900, due in 60 monthly installments of $236.13 with interest at an annual rate of 6.99%, due July 27, 2014 and secured by the shredder purchased.

	2013
	$ 1,615
Total	1,615
Less Current Portion	1,615
Note Payable	$ -

Future maturities of notes payable are as follows:

Year Ended December 31,	Amount
2014	$ 1,615
	$ 1,615

NOTE F SUBSEQUENT EVENTS

During 2013, the Hocking Valley Board of Developmental Disabilities (169 Board) approved the Agency to begin the process of privatization. Subsequent to December 31, 2013, the Agency directly hired an Executive Director and Facility Manager. Management will continue transitioning to privatization by applying for their Medicaid certification and implementing other necessary steps during 2014. The 169 Board will continue to support the entity through this transaction until the process is complete. The timing has not been determined as to the completion of this transition to privatization.

Subsequent to December 31, 2013, the Board of Directors voted to discontinue the contract with a major customer. Management has not determined the financial effects of this event.

Hocking County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2013

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements
United States Department of Housing and Urban Development			
Passed Through Ohio Department of Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-F-11-1BH-1	14.228	$66,689
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-F-12-1BH-1	14.228	100,899
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-C-12-1BH-1	14.228	95,720
			263,308
Total United States Department of Housing and Urban Development			**263,308**
United States Department of Justice			
Passed Through Ohio Attorney General:			
Crime Victim Assistance/Discretionary Grants	VAGENE 220	16.582	35,628
Direct:			
Drug Court Discretionary Grant Program	2013-DC-BX-0008	16.585	17,085
Drug Court Discretionary Grant Program-Reclaiming Futures	DC-BX-0020	16.585	26,340
			43,425
Passed through Ohio Office of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	2012-JG-D01-6971	16.738	45,568
Edward Byrne Memorial Justice Assistance Grant Program	2012-JG-LLE-5868	16.738	7,500
			53,068
Direct:			
Criminal and Juvenile Justice and Mental Health Collaboration Program	N/A	16.745	15,730
Total United States Department of Justice			**147,851**
United States Department of Transportation			
Passed Through the Ohio Emergency Management Agency:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	HM-HMP-0243-12-01-00	20.703	3,200
Total United States Department of Transportation			**3,200**
United States Department of Education			
Passed Through the Ohio Department of Health:			
Special Education-Grants for Infants and Families	N/A	84.181	44,331
Total United States Department of Education			**44,331**
United States Department of Homeland Security			
Passed Through Ohio Emergency Management Agency:			
Homeland Security Grant Program	2010-SS-TO-0012	97.067	3,476
Homeland Security Grant Program	EMW2011SS00070	97.067	3,000
			6,476
Emergency Management Performance Grants	EMW-2013-EP-00060-S01	97.042	7,034
Emergency Management Performance Grants	EMW-2012-EP-00060-S01	97.042	37,827
			44,861
Total United States Department of Homeland Security			**51,337**
United States Department of Health and Human Services			
Passed Through Ohio Department of Developmental Disabilities:			
Medical Assistance Program	N/A	93.778	130,446
Social Services Block Grant	N/A	93.667	23,665
Passed Through Area Agency on Aging:			
Special Programs for the Aging Title III, Part B-Grants for Supportive Services and Senior Centers	N/A	93.044	42,679
Passed Through the Substance Abuse and Mental Health Services Administration:			
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	SH79T1021874-02	93.243	64,224
Total United States Department of Health and Human Services			**261,014**
Total Federal Awards Expenditures			**$771,041**

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

See the accompanying notes to the schedule of federal awards expenditures.

Note A – Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting. The information is this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

Note B – Matching Requirements

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

Note C – Community Development Grant Program

The County administers a loan program with funds by the U.S. Department of Housing and Urban Development, through the Ohio Department of Development, under the Community Development Block CHIP Grant Program. The purpose of this program is to provide loans to low and moderate income families for building improvements. The loans are provided as declining mortgage loans with the intent that they do not have to repay the loans unless they leave the residence before ten years. As of December 31, 2013, the total amount of loans outstanding was $610,044.

Note D – Ohio Department of Developmental Disabilities

During the calendar year, the County Board of Developmental Disabilities received a settlement for the 2008 Cost Report from the Ohio Department of Disabilities for the Medicaid Program (CFDA #93.778) in the amount of $6,164. The Cost Report statement was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's schedule of federal award expenditures since the underlying expenses occurred in prior reporting periods.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Hocking County, Ohio (the County) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 23, 2014. Our report includes a reference to other auditors who audited the financial statements of Hocking Valley Community Hospital and Hocking Valley Industries, Inc., as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Hocking Valley Industries, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Hocking Valley Industries, Inc.

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

County's Response to Findings

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

Purpose of this Report

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

Natalie Millhuff-Stang

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

June 23, 2014

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Hocking County's, Ohio (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-2. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-2 that we consider to be a significant deficiency.

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

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

Natalie Millhuff-Stang

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

June 23, 2014

Section I – Summary of Auditor's Results

Financial Statements	
Type of financial statement opinion:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
Identification of major program(s):	Community Development Block Grants (CFDA #14.228), Medical Assistance Program (CFDA #93.778)
Dollar threshold used to distinguish between type A and type B programs:	Type A: >$300,000 Type B: all others
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2013-1

Significant Deficiency - Internal Controls Over Financial Reporting

A monitoring system by the County should be in place to prevent or detect misstatements for the accurate presentation of the County's financial statements. Various errors and misclassifications were identified. Furthermore, the County improperly excluded the financial information of the Hocking Valley Community Hospital Memorial Fund, Inc., a component unit of Hocking Valley Community Hospital, from the discrete presentation of the County's component unit. This exclusion was required to be adjusted into the discrete presentation of the Hocking Valley Community Hospital. Additionally, a misclassification was required to be adjusted to the primary government's financial statements. Others were deemed immaterial and correction was waived. The County should implement additional monitoring procedures to ensure items are properly recorded and reported.

Client Response:
We recognize that there was a reclassification of revenues from taxes to charges for services related to the non-major real estate assessment fund. However, this has always been classified as taxes in our system and had been audited that way without comment or reclass for the past 15 years. We recognize that we need to modify our report index to properly reflect this and have already corrected this within our accounting system; however we don't believe that this issue represents a significant management oversight.

Finding 2013-1 (Continued)

Significant Deficiency - Internal Controls Over Financial Reporting (Continued)

In relation to the inclusion of the Hospital Foundation as part of the Hospital in the basic financial statements, we would like to note that the Foundation's financial statements were included in the notes to the basic financial statements, but had been erroneously excluded by our GAAP consultant from the basic financial statements. This was the first time that the financial statements for the Foundation were included as part of the Hospital's financial statements, and the GAAP consultant erroneously excluded this information from the component unit presentation. This is a one-time situation and our GAAP consultant and we are aware of this and have taken steps to ensure this will not occur in the future.

Section III – Federal Award Findings and Questioned Costs

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

Finding 2013-2

Noncompliance/Significant Deficiency – Cash Management

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

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

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

Responsible Official's Response and Corrective Action Planned:
We agree with this finding and will make every effort possible to expend draws within fifteen days of receipt, on the same day, if possible.

Planned Implementation Date of Corrective Action:
June 23, 2014.

Person Responsible for Corrective Action:
Commissioners.

Dave Yost • Auditor of State

HOCKING COUNTY FINANCIAL CONDITION

HOCKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 02, 2014

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