

## **Hocking County Financial Condition**

Hocking County

Single Audit

January 1, 2005 Through December 31, 2005

Fiscal Year Audited Under GAGAS: 2005

**BALESTRA, HARR & SCHERER, CPAS, INC.**

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**Auditor of State  
Betty Montgomery**

Board of County Commissioners  
Hocking County  
1 East Main St.  
Logan, OH 43138

We have reviewed the *Independent Auditor's Report* of Hocking County prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

October 5, 2006

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**Hocking County Financial Condition  
Basic Financial Statements  
For the Year Ended December 31, 2005**

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**Hocking County Financial Condition  
Basic Financial Statements  
For the Year Ended December 31, 2005**

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To the Offices, Boards and  
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Logan, Ohio 43138

**Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hocking County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the County's discretely presented component units, Hocking Valley Industries, Inc. and the Hocking Valley Community Hospital. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for Hocking Valley Industries, Inc. and Hocking Valley Community Hospital, is based solely on the reports of the other auditors.

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

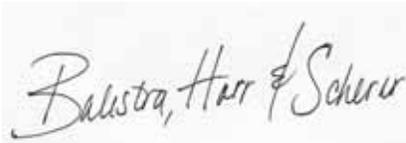
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund, Motor Vehicle Gas Tax fund, Human Services fund, Mentally Retarded & Developmentally Disabled fund and the Emergency Medical Services fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2006, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 4, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers".

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

Balestra, Harr & Scherer, CPAs, Inc.

August 16, 2006

**Hocking County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

The discussion and analysis of Hocking County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2005. 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 2005 are as follows:

*Overall:*

Total net assets increased \$1,191,023 virtually all in Governmental Activities.

Total revenue was \$24,636,885 in 2005.

Total program expenses were \$23,445,862 in 2005.

Long term debt and other obligations increased to \$2,631,742 in 2005 from \$2,526,016 in 2004. The increase is primarily due to the issuance of \$137,000 in OPWC Notes and \$90,000 in a REMCO Equipment Note during 2005, which were partially offset by debt service payments during 2005.

*Governmental Activities:*

Liabilities increased \$659,744 from 2004, while total assets increased by \$1,966,395.

Total revenue was \$24,503,643 in 2005, while program expenses were \$23,196,992.

Program expenses were primarily composed of Human Services, Health, Public Safety, Public Works, and Legislative and Executive where expenses were \$8,111,586; \$3,325,853; \$3,388,318; \$3,349,029; and \$2,459,284 respectively in 2005.

*Business-Type Activities:*

Program revenues were \$99,675 for Business-Type Activities, while corresponding expenses were \$248,870. The decrease of \$59,767 in capital assets is due to depreciation expense.

**Using these Basic Financial Statements**

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

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

**Hocking County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

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

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the County as a whole, the *financial position* of the County has improved. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required or mandated programs and other factors.

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

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

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

*Fund Financial Statements*

The analysis of the County's major funds begins on page 8. Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, the Motor Vehicle Gas Tax Fund, the Human Services Fund, the Mentally Retarded & Developmentally Disabled Fund, and the Emergency Medical Services Fund. The County's only major proprietary 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 Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

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

**Hocking County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

**The County as a Whole**

Recall that the Statement of Net Assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2005 compared to the prior year:

Table 1  
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<i>Assets</i>						
Current & Other Assets	\$ 18,688,236	\$ 17,666,538	\$ 32,239	\$ 93,409	\$ 18,720,475	\$ 17,759,947
Capital Assets	<u>8,890,120</u>	<u>7,945,423</u>	<u>1,597,987</u>	<u>1,657,754</u>	<u>10,488,107</u>	<u>9,603,177</u>
<i>Total Assets</i>	27,578,356	25,611,961	1,630,226	1,751,163	29,208,582	27,363,124
<i>Liabilities</i>						
Long-Term Liabilities	2,122,378	2,009,674	509,364	516,342	2,631,742	2,526,016
Other Liabilities	<u>5,573,996</u>	<u>5,026,956</u>	<u>2,748</u>	<u>1,079</u>	<u>5,576,744</u>	<u>5,028,035</u>
<i>Total Liabilities</i>	7,696,374	7,036,630	512,112	517,421	8,208,486	7,554,051
<i>Net Assets</i>						
Invested in Capital Assets						
Net of Debt	7,535,334	6,706,789	1,090,087	1,142,254	8,625,421	7,849,043
Restricted	9,947,954	9,652,336	-	-	9,947,954	9,652,336
Unrestricted	<u>2,398,694</u>	<u>2,216,206</u>	<u>28,027</u>	<u>91,488</u>	<u>2,426,721</u>	<u>2,307,694</u>
<i>Total Net Assets</i>	<u>\$ 19,881,982</u>	<u>\$ 18,575,331</u>	<u>\$ 1,118,114</u>	<u>\$ 1,233,742</u>	<u>\$ 21,000,096</u>	<u>\$ 19,809,073</u>

Total assets increased by \$1,854,458. The primary reason for the total assets increase related to capital assets and intergovernmental receivable. Capital assets in the governmental activities increased by \$944,697 from 2004 to 2005, primarily due to infrastructure improvements while the Business-Type Activity decreased primarily due to depreciation expense. Intergovernmental receivable increased \$821,042 due to increased grant awards.

**Hocking County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

Table 2  
Changes In Net Assets

	2005			2004		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges For Services and Sales	\$ 2,339,036	\$ 84,105	\$ 2,423,141	\$ 2,399,249	\$ 107,197	\$ 2,506,446
Operating Grants and Contributions	12,929,257	-	12,929,257	11,664,854	-	11,664,854
Capital Grants and Contributions	-	15,570	15,570	2,129,039	198,000	2,327,039
Total Program Revenues	15,268,293	99,675	15,367,968	16,193,142	305,197	16,498,339
<i>General Revenue:</i>						
Property Taxes	4,731,987	-	4,731,987	4,052,555	-	4,052,555
Sales Taxes	2,653,172	-	2,653,172	2,724,227	-	2,724,227
Grants and Entitlements	912,445	-	912,445	1,151,048	-	1,151,048
Contributions and Donations	-	-	-	19,962	-	19,962
Special Assessments	7,409	-	7,409	8,375	-	8,375
Investment Earnings	191,570	-	191,570	114,960	-	114,960
Other	738,767	33,567	772,334	820,801	-	820,801
Total General Revenues	9,235,350	33,567	9,268,917	8,891,928	-	8,891,928
<b>Total Revenues</b>	24,503,643	133,242	24,636,885	25,085,070	305,197	25,390,267
<b>Program Expenses</b>						
<i>General Government:</i>						
Legislative and Executive	2,459,284	-	2,459,284	2,581,996	-	2,581,996
Judicial	1,542,657	-	1,542,657	1,587,545	-	1,587,545
Public Safety	3,388,318	-	3,388,318	3,029,040	-	3,029,040
Public Works	3,349,029	-	3,349,029	2,632,772	-	2,632,772
Health	3,325,853	-	3,325,853	3,152,796	-	3,152,796
Human Services	8,111,586	-	8,111,586	7,087,531	-	7,087,531
Economic Development and Assistance	593,096	-	593,096	582,567	-	582,567
Conservation and Recreation	215,525	-	215,525	208,698	-	208,698
Miscellaneous	86,652	-	86,652	72,993	-	72,993
Intergovernmental	12,064	-	12,064	-	-	-
Interest and Fiscal Changes	112,928	-	112,928	58,434	-	58,434
Wastewater Treatment	-	248,870	248,870	-	276,237	276,237
<b>Total Expenses</b>	23,196,992	248,870	23,445,862	20,994,372	276,237	21,270,609
<b>Increase (Decrease) in Net Assets</b>	1,306,651	(115,628)	1,191,023	4,090,698	28,960	4,119,658
Net Assets - Beginning of Year	18,575,331	1,233,742	19,809,073	14,484,633	1,204,782	15,689,415
Net Assets - End of Year	\$ 19,881,982	\$ 1,118,114	\$ 21,000,096	\$ 18,575,331	\$ 1,233,742	\$ 19,809,073

Table 2 shows the changes in net assets for fiscal year 2005 and 2004.

**Hocking County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

The County receives diverse types of revenues to provide for the vast number of programs provided by the County. Operating grants and contributions provide almost 53% of total revenues for governmental activities. Property taxes and sales taxes provide 19% and 11% of total revenues for governmental activities.

Human services expenses comprise 35% of total expenses for governmental activities. Health, Public Safety, Public Works, and General Government Legislative & Executive comprise 14%, 15%, 14% and 11% respectively of total expenses for governmental activities.

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

Table 3  
 Total Cost of Program Services  
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
General Government - Legislative and Executive	\$2,459,284	\$2,581,996	\$1,569,756	\$1,608,150
General Government - Judicial	1,542,657	1,587,545	837,919	723,568
Public Safety	3,388,318	3,029,040	1,874,135	1,563,521
Public Works	3,349,029	2,632,772	727,312	(1,957,630)
Health	3,325,853	3,152,796	1,057,099	736,850
Human Service	8,111,586	7,087,531	1,366,761	1,764,708
Conservation and Recreation	215,525	208,698	210,930	169,097
Economic Development and Assistance	593,096	582,567	174,409	156,144
Other	86,652	72,993	70,111	59,133
Intergovernmental	12,064	0	(29,311)	0
Interest and Fiscal Charges	112,928	58,434	69,578	(22,311)
<b>Total Expenses</b>	<b>\$23,196,992</b>	<b>\$20,994,372</b>	<b>\$7,928,699</b>	<b>\$4,801,230</b>

Over 66 percent of county governmental activities are supported through program revenues.

**Hocking County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

***Business-Type Activities***

Business-type activities include wastewater treatment.

Overall net assets decreased \$115,628 from 2004 to 2005. Charges for Services and Sales accounted for \$84,105 of total revenues of \$133,242.

***The County's Funds***

Information about the County's major governmental funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$25,675,327 and expenditures and other financing uses of \$24,787,042. The net change in fund balance for the year was most significant in the Motor Vehicle and Gas Tax Fund, where the fund balance went from \$1,105,553 in 2004 to \$1,631,826 for 2005. This change was due in part to proceeds from OPWC loans of \$227,000. The General Fund experienced an increase in fund balance of \$186,196 partially due to an inception of a capital lease.

***Major Fund Budgeting Highlights***

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

During the course of fiscal year 2005 the County amended its general fund budget numerous times, none significant.

For the General Fund, budget basis revenue was \$6,316,460, above original budget estimates of \$6,197,558. Advances in, which are not budgeted, made up \$108,700 of this \$118,902 difference.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$6,180,741, \$135,719 below revenues.

**Hocking County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2005 the County had \$10,488,107 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure, and construction in progress. Additional information regarding capital assets is shown in Note 9 to the Basic Financial Statements. Tables 4.1 and 4.2 show fiscal 2005 and 2004 balances by Governmental Activity and Business-Type Activity:

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

	<u>2005</u>	<u>2004</u>
Land	\$ 700,589	\$ 350,069
Land Improvements	42,907	46,307
Buildings & Improvements	775,421	918,713
Machinery and Equipment	841,393	728,312
Vehicles	1,025,010	1,131,661
Infrastructure	5,504,800	4,335,564
Construction in Progress	<u>-</u>	<u>434,797</u>
Total	<u>\$ 8,890,120</u>	<u>\$ 7,945,423</u>

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

	<u>2005</u>	<u>2004</u>
Land	\$ 29,000	\$ 29,000
Wastewater Treatment Plants	178,341	189,873
Collection System	1,388,446	1,434,481
Vehicles	<u>2,200</u>	<u>4,400</u>
Total	<u>\$ 1,597,987</u>	<u>\$ 1,657,754</u>

**Hocking County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

**Debt**

At December 31, 2005 the County had \$1,726,444 in bonds and long-term notes, \$141,491 due within one year.

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

Table 5  
 Outstanding Debt At December 31  
 Governmental Activities

	<u>2005</u>	<u>2004</u>
General Obligation Bonds	\$ 445,000	\$ 490,000
Long Term Notes	713,844	518,206
Special Assessment Bonds	<u>59,700</u>	<u>68,090</u>
Total	<u>\$ 1,218,544</u>	<u>\$ 1,076,296</u>

Table 6  
 Outstanding Debt At December 31  
 Business Type Activity

	<u>2005</u>	<u>2004</u>
Revenue Bonds	<u>\$ 507,900</u>	<u>\$ 515,500</u>

During fiscal year 2005, the County borrowed \$137,000 in OPWC monies for bridge replacement. Also, the County borrowed \$90,000 from REMCO for a wheeled excavator. All General Obligation Bonds, Long-term Notes and Special Assessment Bonds outstanding are general obligations of the County for which the full faith and credit of the County is pledged for repayment. For additional information regarding bonds and long-term notes payable please see Note 15 to the Basic Financial Statements.

**Hocking County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

**Capital Lease Obligations**

During fiscal year 2005, the County entered into capital lease agreements for a Sheriff's Department Ford Crown Victoria, a 2005 Ford Expedition also for the Sheriff's Department, and audio-video equipment for the Common Pleas Court. The leased vehicles will be paid from the General Fund. The lease agreements run through the fiscal year ending 2009 and is recorded as obligations under capital leases in the accompanying financial statements. The County had previous capital leases, which are being paid for out of both the General Fund (Governmental Activities) and the Motor Vehicle Gas Tax Fund (Governmental Activities). The total capital lease obligations outstanding as of December 31, 2005 were \$136,242. Of this balance \$61,435 in the Governmental Activities was due within one year.

**Current Financial Related Activities**

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

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

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

**Contacting the County's Financial Management**

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

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**Hocking County**  
*Statement of Net Assets*  
As of December 31, 2005

	Component Units				
	Governmental Activities	Business-Type Activities	Total	Hospital	Adult Activities Workshop
<b>ASSETS</b>					
Equity in Pooled Cash and Cash Equivalents	\$8,211,691	\$32,239	\$8,243,930	\$1,621,283	\$101,218
Investments in Segregated Accounts	-	-	-	187,774	-
Receivables					
Taxes	5,249,415	-	5,249,415	-	-
Accounts	72,467	-	72,467	4,978,925	-
Special Assessments	79,457	-	79,457	-	-
Intergovernmental	4,889,617	-	4,889,617	-	-
Materials and Supplies Inventory	185,589	-	185,589	154,137	17,481
Prepaid Items	-	-	-	46,244	1,000
Third-party Settlements	-	-	-	77,360	-
Asset whose use is limited:					
Under bond indenture agreement	-	-	-	330,000	-
Unamortized Financing Costs	-	-	-	71,501	-
Nondepreciable Capital Assets	700,589	29,000	729,589	-	-
Depreciable Capital Assets, Net	8,189,531	1,568,987	9,758,518	9,607,324	44,323
<i>Total Assets</i>	<u>27,578,356</u>	<u>1,630,226</u>	<u>29,208,582</u>	<u>17,074,548</u>	<u>164,022</u>
<b>Liabilities</b>					
Accounts Payable	344,131	-	344,131	663,523	6,989
Accrued Wages and Benefits	161,070	966	162,036	1,485,435	-
Intergovernmental Payable	438,715	1,782	440,497	-	-
Matured Compensated Absences	1,518	-	1,518	-	-
Deferred Revenue	4,628,562	-	4,628,562	-	-
Long-Term Liabilities:					
Due Within One Year	295,734	7,900	303,634	942,514	-
Due In More Than One Year	1,826,644	501,464	2,328,108	3,231,990	-
<i>Total Liabilities</i>	<u>7,696,374</u>	<u>512,112</u>	<u>8,208,486</u>	<u>6,323,462</u>	<u>6,989</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	7,535,334	1,090,087	8,625,421	5,975,820	44,323
Restricted for:					
Debt Service	104,524	-	104,524	-	-
Capital Projects	203,641	-	203,641	-	-
Other Purposes	9,639,789	-	9,639,789	330,000	-
Unrestricted	2,398,694	28,027	2,426,721	4,445,266	112,710
<i>Total Net Assets</i>	<u>\$19,881,982</u>	<u>\$1,118,114</u>	<u>\$21,000,096</u>	<u>\$10,751,086</u>	<u>\$157,033</u>

See accompanying notes to the basic financial statements.

**Hocking County**  
**Statement of Activities**  
For the Year Ended December 31, 2005

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government:				
Legislative and Executive	\$ 2,459,284	\$ 385,335	\$ 504,193	\$ -
Judicial	1,542,657	627,491	77,247	-
Public Safety	3,388,318	376,867	1,137,316	-
Public Works	3,349,029	191,578	2,430,139	-
Health	3,325,853	168,735	2,100,019	-
Human Services	8,111,586	447,900	6,296,925	-
Economic Development and Assistance	593,096	38,668	343,498	-
Conservation and Recreation	215,525	41,116	-	-
Miscellaneous	86,652	16,541	-	-
Intergovernmental	12,064	41,375	-	-
Interest and Fiscal Charges	112,928	3,430	39,920	-
<i>Total Governmental Activities</i>	<u>23,196,992</u>	<u>2,339,036</u>	<u>12,929,257</u>	<u>-</u>
<b>Business-Type Activity</b>				
Wastewater Treatment	248,870	84,105	-	15,570
<i>Total Business-Type Activity</i>	<u>248,870</u>	<u>84,105</u>	<u>-</u>	<u>15,570</u>
<i>Total Primary Government</i>	<u>23,445,862</u>	<u>2,423,141</u>	<u>12,929,257</u>	<u>15,570</u>
<b>Component Units</b>				
Hospital	25,236,463	26,423,260	-	-
Adult Activities Workshop	904,564	912,524	-	-
<i>Total Component Units</i>	<u>\$ 26,141,027</u>	<u>\$ 27,335,784</u>	<u>\$ -</u>	<u>\$ -</u>

**General Revenues**

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

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements.

*continued*

Net (Expense) Revenue and Changes in Net Assets					
Governmental Activities	Business-Type Activities	Total	Component Units		
			Hospital	Adult Activities Workshop	
\$ (1,569,756)	\$ -	\$ (1,569,756)	\$ -	\$ -	-
(837,919)	-	(837,919)	-	-	-
(1,874,135)	-	(1,874,135)	-	-	-
(727,312)	-	(727,312)	-	-	-
(1,057,099)	-	(1,057,099)	-	-	-
(1,366,761)	-	(1,366,761)	-	-	-
(210,930)	-	(210,930)	-	-	-
(174,409)	-	(174,409)	-	-	-
(70,111)	-	(70,111)	-	-	-
29,311	-	29,311	-	-	-
(69,578)	-	(69,578)	-	-	-
<u>(7,928,699)</u>	<u>-</u>	<u>(7,928,699)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(149,195)	(149,195)	-	-	-
-	(149,195)	(149,195)	-	-	-
(7,928,699)	(149,195)	(8,077,894)	-	-	-
			1,186,797	-	-
			<u>-</u>	<u>7,960</u>	<u>-</u>
			<u>1,186,797</u>	<u>7,960</u>	<u>-</u>
1,642,108	-	1,642,108	-	-	-
3,089,879	-	3,089,879	-	-	-
2,124,110	-	2,124,110	-	-	-
529,062	-	529,062	-	-	-
912,445	-	912,445	-	-	-
7,409	-	7,409	-	-	-
191,570	-	191,570	-	-	-
<u>738,767</u>	<u>33,567</u>	<u>772,334</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>9,235,350</u>	<u>33,567</u>	<u>9,268,917</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,306,651	(115,628)	1,191,023	1,186,797	7,960	-
<u>18,575,331</u>	<u>1,233,742</u>	<u>19,809,073</u>	<u>9,564,289</u>	<u>149,073</u>	<u>-</u>
<u>\$ 19,881,982</u>	<u>\$ 1,118,114</u>	<u>\$ 21,000,096</u>	<u>\$ 10,751,086</u>	<u>\$ 157,033</u>	<u>-</u>

**Hocking County**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2005*

	General	Motor Vehicle Gas Tax	Human Services	Mentally Retarded & Developmentally Disabled	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$ 1,776,291	\$ 658,255	\$ 34,432	\$ 1,556,546	\$ 920,799	\$ 3,265,368	\$ 8,211,691
Receivables:							
Taxes	2,310,925	-	-	1,400,437	1,170,313	367,740	5,249,415
Accounts	3,250	-	-	-	68,018	1,199	72,467
Intergovernmental	416,255	1,942,578	2,028,318	63,605	57,500	381,361	4,889,617
Special Assessments	-	-	-	-	-	79,457	79,457
Due from Other Funds	49,262	-	-	-	-	74,991	124,253
Interfund Receivable	96,832	-	-	-	-	-	96,832
Materials and Supplies Inventory	-	185,589	-	-	-	-	185,589
<i>Total Assets</i>	<u>\$ 4,652,815</u>	<u>\$ 2,786,422</u>	<u>\$ 2,062,750</u>	<u>\$ 3,020,588</u>	<u>\$ 2,216,630</u>	<u>\$ 4,170,116</u>	<u>\$ 18,909,321</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 35,060	\$ 59,823	\$ 96,307	\$ 10,403	\$ 632	\$ 141,906	\$ 344,131
Accrued Wages and Benefits Payable	51,194	15,746	22,229	16,486	20,680	34,735	161,070
Matured Compensated Absences Payable	-	-	-	630	289	599	1,518
Due to Other Funds	-	-	74,930	1,196	-	48,127	124,253
Intergovernmental Payable	101,371	39,784	101,446	66,442	36,189	93,483	438,715
Interfund Payable	-	-	-	-	-	96,832	96,832
Deferred Revenue	2,243,161	1,039,243	975,192	1,464,042	1,227,813	341,330	7,290,781
<i>Total Liabilities</i>	<u>2,430,786</u>	<u>1,154,596</u>	<u>1,270,104</u>	<u>1,559,199</u>	<u>1,285,603</u>	<u>757,012</u>	<u>8,457,300</u>
<b>Fund Balances</b>							
Reserved for Encumbrances	22,432	48,215	50,815	12,696	9,254	227,530	370,942
Unreserved, Undesignated, Reported in:							
General Fund	2,199,597	-	-	-	-	-	2,199,597
Special Revenue Funds	-	1,583,611	741,831	1,448,693	921,773	2,887,593	7,583,501
Debt Service Funds	-	-	-	-	-	104,524	104,524
Capital Projects Funds	-	-	-	-	-	193,457	193,457
<i>Total Fund Balances</i>	<u>2,222,029</u>	<u>1,631,826</u>	<u>792,646</u>	<u>1,461,389</u>	<u>931,027</u>	<u>3,413,104</u>	<u>10,452,021</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 4,652,815</u>	<u>\$ 2,786,422</u>	<u>\$ 2,062,750</u>	<u>\$ 3,020,588</u>	<u>\$ 2,216,630</u>	<u>\$ 4,170,116</u>	<u>\$ 18,909,321</u>

See accompanying notes to the basic financial statements

**Hocking County**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2005*

**Total Governmental Fund Balances** \$ 10,452,021

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 8,890,120

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

Taxes	240,518	
Intergovernmental	2,421,701	

Total		2,662,219
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Long-Term Liabilities, including bonds, capital lease obligations, notes, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(767,592)	
Long Term Notes	(713,844)	
General Obligation Bonds	(445,000)	
Special Assessment Bonds	(59,700)	
Capital Lease Obligations	(136,242)	

Total		(2,122,378)
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**Net Assets of Governmental Activities** **\$ 19,881,982**

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, 2005*

	General	Motor Vehicle and Gas Tax	Human Services	Mentally Retarded & Developmentally Disabled	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 3,763,242	\$ -	\$ -	\$ 1,144,507	\$ 987,267	\$ 1,484,455	\$ 7,379,471
Intergovernmental	920,865	4,114,872	3,917,964	550,289	189,888	4,567,139	14,261,017
Charges for Services	1,097,261	190,601	5,399	-	239,140	376,675	1,909,076
Fees, License and Permits	2,275	-	-	-	-	72,578	74,853
Fines and Forfeitures	146,474	33,985	-	-	-	174,648	355,107
Special Assessments	-	-	-	-	-	7,409	7,409
Interest	186,804	4,748	-	-	-	18	191,570
Miscellaneous	53,514	45,886	65,614	73,475	-	500,278	738,767
<i>Total Revenues</i>	<u>6,170,435</u>	<u>4,390,092</u>	<u>3,988,977</u>	<u>1,768,271</u>	<u>1,416,295</u>	<u>7,183,200</u>	<u>24,917,270</u>
<b>Expenditures</b>							
Current:							
General Government:							
Legislative and Executive	1,814,017	-	-	-	-	769,037	2,583,054
Judicial	1,393,623	-	-	-	-	118,255	1,511,878
Public Safety	1,537,796	-	-	-	-	1,741,200	3,278,996
Public Works	34,415	3,715,753	-	-	-	-	3,750,168
Health	50,940	-	-	1,742,214	1,387,335	103,522	3,284,011
Human Services	343,768	-	4,026,619	-	-	3,727,614	8,098,001
Conservation and Recreation	215,391	-	-	-	-	-	215,391
Economic Development and Assistance	66,314	-	-	-	-	526,782	593,096
Other	86,652	-	-	-	-	-	86,652
Capital Outlay	89,252	227,000	-	-	-	302,646	618,898
Intergovernmental	12,064	-	-	-	-	-	12,064
Debt Service:							
Principal	45,320	86,845	-	-	-	67,935	200,100
Interest and Fiscal Charges	2,134	61,221	-	-	-	49,573	112,928
<i>Total Expenditures</i>	<u>5,691,686</u>	<u>4,090,819</u>	<u>4,026,619</u>	<u>1,742,214</u>	<u>1,387,335</u>	<u>7,406,564</u>	<u>24,345,237</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>478,749</u>	<u>299,273</u>	<u>(37,642)</u>	<u>26,057</u>	<u>28,960</u>	<u>(223,364)</u>	<u>572,033</u>
<b>Other Financing Sources</b>							
Proceeds of OPWC Loans	-	227,000	-	-	-	-	227,000
Inception of Capital Lease	89,252	-	-	-	-	-	89,252
Transfers In	30,000	-	94,255	-	-	317,550	441,805
Transfers Out	(411,805)	-	-	-	-	(30,000)	(441,805)
<i>Total Other Financing Sources</i>	<u>(292,553)</u>	<u>227,000</u>	<u>94,255</u>	<u>-</u>	<u>-</u>	<u>287,550</u>	<u>316,252</u>
<i>Net Changes in Fund Balances</i>	<u>186,196</u>	<u>526,273</u>	<u>56,613</u>	<u>26,057</u>	<u>28,960</u>	<u>64,186</u>	<u>888,285</u>
<i>Fund Balances Beginning of Year</i>	<u>2,035,833</u>	<u>1,105,553</u>	<u>736,033</u>	<u>1,435,332</u>	<u>902,067</u>	<u>3,348,918</u>	<u>9,563,736</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,222,029</u>	<u>\$ 1,631,826</u>	<u>\$ 792,646</u>	<u>\$ 1,461,389</u>	<u>\$ 931,027</u>	<u>\$ 3,413,104</u>	<u>\$ 10,452,021</u>

See accompanying notes to the basic financial statements.

**Hocking County**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2005*

**Net Change in Fund Balances - Total Governmental Funds** \$ 888,285

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

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

Capital Asset Additions	1,872,016	
Current Year Depreciation	(862,459)	
Total	1,009,557	1,009,557

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

Loss on Disposal of Capital Assets	(64,860)	
Total	(64,860)	(64,860)

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

Taxes	5,688	
Intergovernmental	(419,315)	
Total	(413,627)	(413,627)

Proceeds from the issuance of long-term notes in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (227,000)

Repayment of bond principal and long term notes principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 84,752

Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 115,348

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. (89,252)

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

Increase in Compensated Absences	3,448	
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Total		3,448
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**Net Change in Net Assets of Governmental Activities** \$ 1,306,651

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, 2005*

	<u>Budgeted Amounts</u>			Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES:</b>				
Property Taxes	\$3,811,558	\$3,811,558	\$3,804,500	(\$7,058)
Charges for Services	1,069,200	1,081,974	1,087,002	5,028
Licenses and Permits	2,420	2,445	2,275	(170)
Fines and Forfeitures	140,600	140,664	145,126	4,462
Intergovernmental	894,680	895,845	903,911	8,066
Interest	175,000	176,988	182,635	5,647
Other	64,100	64,134	52,311	(11,823)
<b>Total Revenues</b>	<b>6,157,558</b>	<b>6,173,608</b>	<b>6,177,760</b>	<b>4,152</b>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Legislative and Executive	1,882,803	1,889,551	1,815,967	73,584
Judicial	1,397,679	1,412,144	1,379,326	32,818
Public Safety	1,652,817	1,659,330	1,573,508	85,822
Public Works	35,574	35,646	34,132	1,514
Health	54,585	58,072	57,824	248
Human Services	352,285	356,285	342,527	13,758
Conservation and Recreation	206,203	216,340	215,391	949
Community and Economic Development	69,956	69,299	66,314	2,985
Other	69,173	70,686	66,351	4,335
Intergovernmental	22,077	22,352	12,064	10,288
<b>Total Expenditures</b>	<b>5,743,152</b>	<b>5,789,705</b>	<b>5,563,404</b>	<b>226,301</b>
Excess of Revenues Over (Under) Expenditures	414,406	383,903	614,356	230,453
<b>OTHER FINANCING SOURCES AND USES:</b>				
Advances In	0	0	108,700	108,700
Transfers In	40,000	40,000	30,000	(10,000)
Transfers Out	(503,351)	(496,287)	(411,805)	84,482
Advances Out	0	0	(205,532)	(205,532)
<b>Total Other Financing Sources and Uses</b>	<b>(463,351)</b>	<b>(456,287)</b>	<b>(478,637)</b>	<b>(22,350)</b>
Net Change in Fund Balance	(48,945)	(72,384)	135,719	208,103
Fund Balance at Beginning of Year	1,566,356	1,566,356	1,566,356	0
Prior Year Encumbrances Appropriated	25,160	25,160	25,160	0
<b>Fund Balance at End of Year</b>	<b>\$1,542,571</b>	<b>\$1,519,132</b>	<b>\$1,727,235</b>	<b>\$208,103</b>

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, 2005*

	<u>Budgeted Amounts</u>			Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES:</b>				
Charges for Services	\$ 170,300	\$ 171,177	\$ 190,616	\$ 19,439
Fines and Forfeitures	29,000	29,027	35,840	6,813
Intergovernmental	3,450,000	3,450,000	3,228,253	(221,747)
Interest	3,000	3,000	4,747	1,747
Other	47,700	75,545	62,796	(12,749)
Total Revenues	<u>3,700,000</u>	<u>3,728,749</u>	<u>3,522,252</u>	<u>(206,497)</u>
<b>EXPENDITURES:</b>				
Current:				
Public Works	3,485,617	3,758,148	3,634,777	123,371
Debt Service:				
Principal Retirements	97,217	86,845	86,845	-
Interest	68,533	61,221	61,221	-
Total Expenditures	<u>3,651,367</u>	<u>3,906,214</u>	<u>3,782,843</u>	<u>123,371</u>
Excess of Revenues Over (Under) Expenditures	<u>48,633</u>	<u>(177,465)</u>	<u>(260,591)</u>	<u>(83,126)</u>
Other Financing Sources and Uses:				
Proceeds of OPWC Loans	-	227,000	227,000	-
Total Other Financing Sources and Uses	-	227,000	227,000	-
Net Change in Fund Balance	48,633	49,535	(33,591)	(83,126)
Fund Balance at Beginning of Year	505,263	505,263	505,263	-
Prior Year Encumbrances Appropriated	<u>68,868</u>	<u>68,868</u>	<u>68,868</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 622,764</u>	<u>\$ 623,666</u>	<u>\$ 540,540</u>	<u>\$ (83,126)</u>

See accompanying notes to the basic financial statements.

**Hocking County**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual*  
*(Non-GAAP Budgetary Basis)*  
*Human Services Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Charges for Services	\$ 1,500	\$ 1,500	\$ 5,679	\$ 4,179
Intergovernmental	4,264,865	4,483,028	2,944,543	(1,538,485)
Other	1,159,500	1,160,993	362,436	(798,557)
Total Revenues	<u>5,425,865</u>	<u>5,645,521</u>	<u>3,312,658</u>	<u>(2,332,863)</u>
<b>EXPENDITURES:</b>				
Current:				
Human Services	5,324,788	5,122,838	4,123,382	999,456
Total Expenditures	<u>5,324,788</u>	<u>5,122,838</u>	<u>4,123,382</u>	<u>999,456</u>
Excess of Revenues Over (Under) Expenditures	<u>101,077</u>	<u>522,683</u>	<u>(810,724)</u>	<u>(1,333,407)</u>
Other Financing Sources and Uses:				
Transfers In	550,000	550,000	94,255	(455,745)
Transfers Out	-	(200,000)	-	200,000
Total Other Financing Sources and Uses	550,000	350,000	94,255	(255,745)
Net Change in Fund Balance	651,077	872,683	(716,469)	(1,589,152)
Fund Balance at Beginning of Year	334,032	334,032	334,032	-
Prior Year Encumbrances Appropriated	139,425	139,425	139,425	-
Fund Balance at End of Year	<u>\$ 1,124,534</u>	<u>\$ 1,346,140</u>	<u>\$ (243,012)</u>	<u>\$ (1,589,152)</u>

See accompanying notes to the basic financial statements.

**Hocking County**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual*  
*(Non-GAAP Budgetary Basis)*  
*MR/DD Fund*  
*For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>			Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES:</b>				
Property Taxes	\$ 1,144,893	\$ 1,144,893	\$ 1,144,507	\$ (386)
Intergovernmental	359,832	359,832	569,080	209,248
Other	26,330	26,330	73,475	47,145
Total Revenues	<u>1,531,055</u>	<u>1,531,055</u>	<u>1,787,062</u>	<u>256,007</u>
<b>EXPENDITURES:</b>				
Current:				
Health	2,376,496	2,376,496	1,710,118	666,378
Total Expenditures	<u>2,376,496</u>	<u>2,376,496</u>	<u>1,710,118</u>	<u>666,378</u>
Excess of Revenues Over (Under) Expenditures	<u>(845,441)</u>	<u>(845,441)</u>	<u>76,944</u>	<u>922,385</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers Out	(50,000)	(50,000)	-	50,000
Total Other Financing Sources and Uses	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Net Change in Fund Balance	(895,441)	(895,441)	76,944	972,385
Fund Balance at Beginning of Year	1,422,382	1,422,382	1,422,382	-
Prior Year Encumbrances Appropriated	<u>32,920</u>	<u>32,920</u>	<u>32,920</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 559,861</u>	<u>\$ 559,861</u>	<u>\$ 1,532,246</u>	<u>\$ 972,385</u>

See accompanying notes to the basic financial statements.

**Hocking County**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual*  
*(Non-GAAP Budgetary Basis)*  
*Emergency Medical Services Fund*  
*For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>			Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES:</b>				
Property Taxes	\$ 973,000	\$ 973,000	\$ 987,267	\$ 14,267
Charges for Services	250,000	250,000	305,187	55,187
Intergovernmental	115,000	115,000	121,870	6,870
Total Revenues	<u>1,338,000</u>	<u>1,338,000</u>	<u>1,414,324</u>	<u>76,324</u>
<b>EXPENDITURES:</b>				
Current:				
Health	<u>1,632,203</u>	<u>1,632,133</u>	<u>1,376,459</u>	<u>255,674</u>
Total Expenditures	<u>1,632,203</u>	<u>1,632,133</u>	<u>1,376,459</u>	<u>255,674</u>
Excess of Revenues (Under) Expenditures	<u>(294,203)</u>	<u>(294,133)</u>	<u>37,865</u>	<u>331,998</u>
Net Change in Fund Balance	(294,203)	(294,133)	37,865	331,998
Fund Balance at Beginning of Year	842,173	842,173	842,173	-
Prior Year Encumbrances Appropriated	<u>26,901</u>	<u>26,901</u>	<u>26,901</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 574,871</u>	<u>\$ 574,941</u>	<u>\$ 906,939</u>	<u>\$ 331,998</u>

See accompanying notes to the basic financial statements.

**Hocking County**  
*Statement of Fund Net Assets*  
*Enterprise Fund*  
*December 31, 2005*

<b>ASSETS:</b>	<b>Sewer</b>
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 32,239
Total Current Assets	32,239
 <i>Noncurrent Assets</i>	
Non-Depreciable Net Assets	29,000
Depreciable Capital Assets, net	1,568,987
<i>Total Noncurrent Assets</i>	1,597,987
 Total Assets	\$ 1,630,226
 <b>LIABILITIES:</b>	
<i>Current Liabilities</i>	
Accrued Wages and Benefits	\$ 966
Intergovernmental Payable	1,782
Revenue Bonds- current	7,900
Total Current Liabilities	10,648
 <i>Noncurrent Liabilities</i>	
Long Term Liabilities:	
Compensated Absences	1,464
Revenue Bonds Payable	500,000
Total Noncurrent liabilities	501,464
 Total Liabilities	512,112
 <b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	1,090,087
Unrestricted	28,027
 Total Net Assets	\$ 1,118,114

See accompanying notes to the basic financial statements.

**Hocking County**  
*Statement of Revenues, Expenses and  
 Changes in Fund Net Assets*  
*Enterprise Fund*  
 For the Year Ended December 31, 2005

	<b>Sewer</b>
Operating Revenues	
Charges for Services	\$ 84,105
Other Operating Revenues	33,567
Total Operating Revenues	117,672
Operating Expenses	
Salaries and Wages	51,482
Fringe Benefits	14,818
Contractual Services	76,169
Depreciation	59,767
Materials & Supplies	8,796
Other	7,780
Total Operating Expenses	218,812
Operating Loss	(101,140)
Nonoperating Revenues/(Expenses)	
Special Assessments	15,570
Interest & Fiscal Charges	(30,058)
Total Nonoperating Revenues/(Expenses)	(14,488)
Change in Net Assets	(115,628)
Net Assets	
at Beginning of Year	1,233,742
Net Assets	
at End of Year	\$ 1,118,114

See accompanying notes to the basic financial statements.

**Hocking County**  
*Statement of Cash Flows*  
*Enterprise Fund*  
For the Year Ended December 31, 2005

	Sewer
<b><i>Increase/(Decrease) in Cash and Cash Equivalents:</i></b>	
<b><i>Cash Flows from Operating Activities:</i></b>	
Cash Received from Customers	\$ 98,482
Cash Received from Other Revenues	33,567
Cash Payments to Suppliers for Goods and Services	(84,965)
Cash Payments for Other Operating Expenses	(7,783)
Cash Payments to Employees for Services and Benefits	(64,006)
	(24,705)
<b><i>Net Cash Used for Operating Activities</i></b>	
<b><i>Cash Flows from Capital and Related Financing Activities:</i></b>	
Capital Contributions- Special Assessments	15,570
Principal Payments	(7,600)
Interest Payments	(30,058)
	(22,088)
<b><i>Net Cash Used for Capital and Related Financing Activities</i></b>	
Net Decrease in Cash and Cash Equivalents	(46,793)
Cash and Cash Equivalents at Beginning of Year	79,032
	\$ 32,239
<b><i>Cash and Cash Equivalents at End of Year</i></b>	
<b><i>Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:</i></b>	
Operating (Loss)	\$ (101,140)
<b><i>Adjustments to Reconcile Operating (Loss) to Net Cash Used for Operating Activities:</i></b>	
Depreciation	59,767
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	14,377
Increase/(Decrease) in Intergovernmental Payable	1,782
Increase/(Decrease) in Compensated Absences	622
Increase/(Decrease) in Accrued Wages and Benefits	(113)
	76,435
<b>Total Adjustments</b>	<b>76,435</b>
<b>Net Cash Used for Operating Activities</b>	<b>\$ (24,705)</b>

See accompanying notes to the basic financial statements.

**Hocking County**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2005*

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ASSETS:

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$ 2,278,500
Cash and Cash Equivalents in Segregated Accounts	270,663
Taxes Receivable	18,054,482
Due from Other Governments	<u>1,555,126</u>

Total Assets \$ 22,158,771

LIABILITIES:

Accrued Wages and Benefits	92
Due to Other Governments	21,557,223
Undistributed Monies	584,080
Deposits Held and Due to Others	<u>17,376</u>

Total Liabilities \$ 22,158,771

See accompanying notes to the basic financial statements.

## HOCKING COUNTY

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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### **NOTE 1 - REPORTING ENTITY**

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

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

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

**Discretely Presented Component Units:** The component units' columns in the basic financial statements identify the financial data of the County's component units, Hocking Valley Industries, Inc. and Hocking Valley Community Hospital. They are reported separately from the primary government to emphasize that they are legally separate from the County. Notes 21 and 22 provides significant disclosures related to these component units.

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

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

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

**HOCKING COUNTY**  
Notes to the Basic Financial Statements - Continued  
For the Year Ended December 31, 2005

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**NOTE 1 - REPORTING ENTITY - Continued**

**Discretely Presented Component Units: - Continued**

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

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

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

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

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

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

**Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**HOCKING COUNTY**  
Notes to the Basic Financial Statements - Continued  
For the Year Ended December 31, 2005

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Fund Financial Statements**

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

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

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

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

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

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

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

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

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

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

**HOCKING COUNTY**  
Notes to the Basic Financial Statements - Continued  
For the Year Ended December 31, 2005

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Proprietary Funds**

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

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

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County’s own programs. The County did not have any trust funds in 2005. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County’s agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

**Measurement Focus**

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

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

**Basis of Accounting**

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

**HOCKING COUNTY**  
Notes to the Basic Financial Statements - Continued  
For the Year Ended December 31, 2005

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Revenues – Exchange and Nonexchange Transactions**

Revenues resulting from exchange transactions, in which each party gives and received essentially equal value, 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: property taxes, 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, 2006. Therefore six months of receivables have been recorded for these revenue types.

**Deferred Revenues**

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim at December 31, 2005, but were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue on the fund financial statements. On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue. Therefore, permissive sales taxes, various State of Ohio non-reimbursable grants, local government, local government revenue assistance, gasoline tax, motor vehicle license tax, and undivided library taxes received after the sixty-day availability period have been recorded as deferred revenue.

**Expenses/Expenditures**

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

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

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

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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

**Estimated Resources:** The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported as the final budget on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2005.

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

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

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

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

**Cash and Cash Equivalents:** Cash balances of the County's funds, except cash held by a trustee or fiscal agent and in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. For reporting purposes, "Equity in Pooled Cash and Cash Equivalents" is defined as cash on hand, demand deposits and investments held in the County treasury.

For cash flow reporting purposes, the County's proprietary funds consider cash and cash equivalents to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. "Equity in Pooled Cash and Cash Equivalents" is considered to be cash and equivalents since these assets are available on demand.

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

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2005

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

Interest is distributed to the General Fund, the Motor Vehicle Gas Tax Fund, and the Sheriff LEBG Nonmajor Special Revenue Fund and the interest earned during 2005 amounted to \$186,804, \$4,748 and \$18 respectively. Nonparticipating investment contracts such as certificates of deposit are reported at cost.

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

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

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

Public domain (infrastructure) general capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been capitalized for acquisitions during fiscal year 2005.

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

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

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

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

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2005

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

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

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

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

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

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

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

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

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

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

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2005

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

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

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

### **NOTE 3 – ACCOUNTABILITY**

**Accountability:**

The FEMA- Auto Gas fund had a deficit fund balance in the amount of \$96,832, which was created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

### **NOTE 4 – CHANGES IN ACCOUNTING PRINCIPLES**

For the year 2005, the County implemented GASB Statement No. 40, “Deposits and Investment Risk Disclosures,” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.” GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentration of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. These new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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

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

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

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

#### Net Changes in Fund Balances Major Governmental Funds

	<u>General</u>	<u>Motor Vehicle Gas Tax</u>	<u>Human Services</u>	<u>Mentally Retarded And Developmentally Disabled</u>	<u>Emergency Medical Services</u>
GAAP Basis	\$ 186,196	\$ 526,273	\$ 56,613	\$ 26,057	\$ 28,960
Increases (Decreases) Due To:					
Revenue Accruals	116,025	(867,840)	(676,319)	18,791	(1,971)
Expenditure Accruals	(34,306)	425,128	180,681	55,792	24,736
Inception of Capital Lease	(89,252)	-	-	-	-
Encumbrances	(42,944)	(117,152)	(277,444)	(23,696)	(13,860)
Budget Basis	<u>\$ 135,719</u>	<u>\$ (33,591)</u>	<u>\$ (716,469)</u>	<u>\$ 76,944</u>	<u>\$ 37,865</u>

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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### **NOTE 6 - DEPOSITS AND INVESTMENTS**

**Policies and Procedures:** The County has adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. However, at December 31, 2005, the County did not hold any investments. State Statute classifies monies held by the County into two categories. Active monies means an amount of public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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 bank failure, the County will not be able to recover the value of its deposits. The County's investment policy does not address custodial credit risk.

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2005

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### **NOTE 6 - DEPOSITS AND INVESTMENTS- Continued**

Deposits. At year-end, the carrying amount of the County's deposits was \$10,793,093. The County's bank balance was \$11,252,476. Of the bank balance, \$512,619 was covered by federal depository insurance. The remaining amounts were considered uninsured and uncollateralized and subject to custodial credit risk. Although all Ohio statutory requirements for the collateralization of deposits had been followed, non-compliance with federal requirements could potentially prevent the County from exercising a successful claim as a secured creditor against the FDIC and render them a general creditor for the uncollateralized amount.

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

### **NOTE 7 - PROPERTY TAXES**

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

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

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

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

Accrued property taxes receivables represent delinquent taxes outstanding and real, tangible personal, and public utility taxes that were measurable and unpaid as of December 31, 2005. 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 2005 operations. The receivable is therefore offset by a credit to deferred revenue. On the modified accrual basis, the entire receivable is deferred.

The full tax rate for all County operations for the year ended December 31, 2005, was \$11.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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### NOTE 7 - PROPERTY TAXES- Continued

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Residential/Agricultural	\$ 382,712,330
Commercial/Industrial	44,080,130
Public Utilities	114,720
Minerals	1,532,280
Tangible Personal Property	
General	23,432,819
Public Utility	<u>49,717,480</u>
Total Property Taxes	<u>\$ 501,589,759</u>

### NOTE 8 - PERMISSIVE SALES TAX

In prior years, the County Commissioners, by resolution, imposed a one percent tax on certain retail sales, made in the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited entirely to the general fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2005 amounted to \$2,124,110.

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 2005 amounted to \$529,062.

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2005

### **NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
<b>Governmental Activities:</b>				
Nondepreciable Capital Assets				
Land	\$ 530,069	\$ 170,520	\$ -	\$ 700,589
Construction in Progress	434,797	1,141,160	(1,575,957)	-
<b>Total Nondepreciable Capital Assets</b>	<b>964,866</b>	<b>1,311,680</b>	<b>(1,575,957)</b>	<b>700,589</b>
Depreciable Capital Assets				
Land Improvements	51,675	-	-	51,675
Buildings and Improvements	1,404,970	81,351	-	1,486,321
Infrastructure	4,710,668	1,575,957	-	6,286,625
Vehicles	3,192,111	146,545	(211,809)	3,126,847
Machinery and Equipment	2,743,922	332,440	(346,684)	2,729,678
<b>Total Depreciable Capital Assets</b>	<b>12,103,346</b>	<b>2,136,293</b>	<b>(558,493)</b>	<b>13,681,146</b>
Less Accumulated Depreciation for				
Land Improvements	(5,368)	(3,400)	-	(8,768)
Buildings	(666,257)	(44,643)	-	(710,900)
Infrastructure	(375,104)	(406,721)	-	(781,825)
Vehicles	(2,060,450)	(225,237)	183,850	(2,101,837)
Machinery and Equipment	(2,015,610)	(182,458)	309,783	(1,888,285)
<b>Total Accumulated Depreciation</b>	<b>(5,122,789)</b>	<b>(862,459)</b>	<b>493,633</b>	<b>(5,491,615)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>6,980,557</b>	<b>1,273,834</b>	<b>(64,860)</b>	<b>8,189,531</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 7,945,423</b>	<b>\$ 2,585,514</b>	<b>\$ (1,640,817)</b>	<b>\$ 8,890,120</b>
	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
<b>Business Type Activities:</b>				
Nondepreciable Capital Assets				
Land	\$ 29,000	\$ -	\$ -	\$ 29,000
<b>Total Nondepreciable Capital Assets</b>	<b>29,000</b>	<b>-</b>	<b>-</b>	<b>29,000</b>
Depreciable Capital Assets				
Wastewater Treatment Plant	341,079	-	-	341,079
Vehicle	11,000	-	-	11,000
Collection System	1,812,955	-	-	1,812,955
<b>Total Depreciable Capital Assets</b>	<b>2,165,034</b>	<b>-</b>	<b>-</b>	<b>2,165,034</b>
Less Accumulated Depreciation for				
Wastewater Treatment Plant	(151,206)	(11,532)	-	(162,738)
Vehicle	(6,600)	(2,200)	-	(8,800)
Collection System	(378,474)	(46,035)	-	(424,509)
<b>Total Accumulated Depreciation</b>	<b>(536,280)</b>	<b>(59,767)</b>	<b>-</b>	<b>(596,047)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>1,628,754</b>	<b>(59,767)</b>	<b>-</b>	<b>1,568,987</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 1,657,754</b>	<b>\$ (59,767)</b>	<b>\$ -</b>	<b>\$ 1,597,987</b>

**HOCKING COUNTY**  
Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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**NOTE 9 - CAPITAL ASSETS - Continued**

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	\$ 55,185
Judicial	26,728
Public Safety	134,875
Public Works	563,684
Health	32,508
Human Services	47,918
Conservation and Recreation	1,561
Total Depreciation Expense - Governmental Activities	<u>\$ 862,459</u>

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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### **NOTE 10 - INTERGOVERNMENTAL RECEIVABLES AND DUE FROM OTHER GOVERNMENTS**

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

<u>Fund / Type</u>	<u>Amount</u>
<b>Major Funds</b>	
<i>General Fund</i>	
Local Government & Local Government	
Revenue Assistance	\$ 260,285
Homestead Rollback	107,500
Other	<u>48,470</u>
<i>Total General Fund</i>	416,255
<i>Motor Vehicle Gas Tax</i>	
License, Gasoline & Permissive Taxes	<u>1,942,578</u>
<i>Total Motor Vehicle Gas Tax</i>	1,942,578
<i>Human Services</i>	
Grants and Entitlements	<u>2,028,318</u>
<i>Total Human Services</i>	2,028,318
<i>Mental Retardation</i>	
Grants and Entitlements	<u>63,605</u>
<i>Total EMS</i>	<u>63,605</u>
<i>EMS</i>	
Homestead and Rollback	<u>57,500</u>
<i>Total EMS</i>	<u>57,500</u>
<b>Total Major Funds</b>	4,508,256
<i>Other Governmental Funds</i>	
Grants and Entitlements	192,481
Homestead Rollback	74,605
Other	<u>114,275</u>
<i>Total Other Governmental Funds</i>	<u>381,361</u>
<b>Total Intergovernmental Receivable</b>	<u>\$ 4,889,617</u>
<i>Agency Funds</i>	
License, Gasoline, and Permissive Taxes	387,500
Undivided Library Tax	501,542
Local Government & Local Government	
Revenue Assistance	510,364
Other	<u>155,720</u>
<i>Total Agency Funds</i>	<u>1,555,126</u>
<b>Total Due from Other Governments</b>	<u>\$ 1,555,126</u>
<b>Total All Funds</b>	<u>\$ 6,444,743</u>

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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### **NOTE 11 - RISK MANAGEMENT**

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

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

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

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

In the event of the termination of the Council, after sufficient time for payment of any potential claims and expense, any balance would be refunded to the members of the Council, pro-rated based upon their last years contribution. During 2005, Hocking County paid \$143,140 to the Council for insurance coverage. This jointly governed organization is a cost-sharing pool.

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

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 12 - DEFINED BENEFIT RETIREMENT PLAN**

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

#### **Ohio Public Employees Retirement System**

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
  - 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
  - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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### **NOTE 12 - DEFINED BENEFIT RETIREMENT PLAN - Continued**

- B. OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.
- D. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377
- E. The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

The 2005 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%. Public safety division members contributed at 9%.

The 2005 employer contribution rate for state employers was 13.31% of covered payroll. For local government employer units, the rate was 13.55% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2005 was 16.7%.

The District's contributions to OPERS for the years ended December 31, 2005, 2004, and 2003, were \$1,125,965, \$1,860,136, and \$2,037,297 respectively. 89.9% has been contributed for 2005 and 100% for years 2004 and 2003. Of the 2005 amount, \$103,303 was unpaid at December 31, 2005 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, 2005, none of the elected officials had elected social security.

### **NOTE 13 - POSTEMPLOYMENT BENEFITS**

#### **Public Employees Retirement System:**

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

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

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

A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.55% of covered payroll for both fiscal years 2005 and 2004; 5% was used to fund health care for the year 2005 and 4.0% was used to fund health care for the year 2004.

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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### NOTE 13 - POSTEMPLOYMENT BENEFITS - Continued

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

C. Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on OPERS' latest Actuarial Reviews performed as of December 31, 2004.

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

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

Investment Return – The investment assumption rate for 2004 was 8.00%.

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

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

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

1. The number of active contributing participants in the Traditional Pension and Combined Plans totaled 376,109 for 2005 and 355,287 for 2004.
2. The employer contributions that were used to fund postemployment benefits were \$332,385 for 2005 and \$322,009 for 2004.
3. \$10.8 billion represents the actuarial value of OPERS' net assets available for OPEBs at December 31, 2004.
4. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

E. OPERS Retirement Board adopts a Health Care Preservation Plan

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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### **NOTE 14 - OTHER EMPLOYEE BENEFITS**

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

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2005

### **NOTE 15 - LONG-TERM DEBT**

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

<u>Types/Issues</u>	<u>Outstanding 12/31/04</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding 12/31/05</u>	<u>Due In One Year</u>
<i>General Long-Term Obligations</i>					
General Obligation Bonds:					
1998 - 3.8 - 5.35% (Original Issue \$750,000)					
Consolidated County Building Bonds	\$ 490,000	\$ -	\$ 45,000	\$ 445,000	\$ 50,000
Total General Obligation Bonds	490,000	-	45,000	445,000	50,000
<i>Long-Term Notes</i>					
2001 - 7.0% (Original Issue \$118,800)					
Land Mortgage Note	74,666	-	16,817	57,849	17,994
2003 - 4.15% (Original Issue \$277,692)					
Juvenile Detention Facility Notes	268,540	-	9,563	258,977	9,960
2004 - 5.5% (Original Issue \$175,000)					
Columbus Gas Building Note	175,000	-	4,982	170,018	5,260
2005 - 0.02% (Original Issue \$72,000)					
OPWC Note - Murray City Bridge Replacement	-	72,000	-	72,000	17,466
2005 - 4.25% (Original Issue \$90,000)					
REMCO Equipment Note - Wheeled Excavator	-	90,000	-	90,000	21,098
2005 - 0.02% (Original Issue \$65,000)					
OPWC Note - CR 17 Bridge Replacement	-	65,000	-	65,000	6,213
Total Long-Term Notes	518,206	227,000	31,362	713,844	77,991
<i>Special Assessment Bonds:</i>					
1996 - 5.5% (Original Issue \$53,500)					
Rockbridge Sewer Special Assessment Bonds	39,800	-	2,300	37,500	2,400
1991 - 5.875% (Original Issue \$51,834)					
Haydenville FmHA Special Assessment Bonds	25,200	-	3,000	22,200	3,200
1985 - 5.0% (Original Issue \$61,290)					
West Logan Water FmHA Special Assessment Bonds	3,090	-	3,090	-	-
Total Special Assessment Bonds	68,090	-	8,390	59,700	5,600
Obligations Under Capital Leases	162,338	89,252	115,348	136,242	61,435
Compensated Absences	771,040	767,592	771,040	767,592	100,708
Total General Long-Term Obligations	<u>\$ 2,009,674</u>	<u>\$ 1,083,844</u>	<u>\$ 971,140</u>	<u>\$ 2,122,378</u>	<u>\$ 295,734</u>
<i>Enterprise Fund</i>					
1996 - 4.5% (Original Issue \$333,000)					
Rockbridge Sanitary Sewer Revenue Bonds	\$ 314,100	\$ -	\$ 4,400	\$ 309,700	\$ 4,500
1991 - 5.875% (Original Issue \$227,000)					
Haydenville Sewer FmHA Revenue Bonds	201,400	-	3,200	198,200	3,400
Total Revenue Bonds	515,500	-	7,600	507,900	7,900
Compensated Absences	842	1,464	842	1,464	-
Total Enterprise Fund	<u>\$ 516,342</u>	<u>\$ 1,464</u>	<u>\$ 8,442</u>	<u>\$ 509,364</u>	<u>\$ 7,900</u>

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2005

### **NOTE 15 - LONG-TERM DEBT - Continued**

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

The capital lease obligations will be repaid from the General Fund and the Motor Vehicle License Tax Fund as described in Note 16. Hocking Valley Community Hospital is responsible for the debt service on the 1993 Hospital Refunding and Improvement Bonds and the 1999 County Hospital 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.

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

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

	Consolidated Services		Special Assessment Bonds		Sanitary Sewer Revenue		Totals	
	Building Bonds		Principal	Interest	Bonds		Principal	Interest
	Principal	Interest			Principal	Interest		
2006	\$ 50,000	\$ 23,082	\$ 5,600	\$ 2,992	\$ 7,900	\$ 25,581	\$ 63,500	\$ 51,655
2007	50,000	20,632	6,000	2,693	8,300	25,229	64,300	48,554
2008	50,000	18,132	6,200	2,399	8,700	24,756	64,900	45,287
2009	55,000	15,582	6,600	2,050	9,300	24,312	70,900	41,944
2010	60,000	12,750	6,900	1,702	9,600	23,837	76,500	38,289
2011-2015	105,000	37,450	20,700	4,262	56,400	111,230	182,100	152,942
2016-2020	75,000	8,025	7,700	522	72,300	95,220	155,000	103,767
2021-2025	-	-	-	-	92,900	74,567	92,900	74,567
2026-2030	-	-	-	-	119,600	47,892	119,600	47,892
2031-2035	-	-	-	-	88,400	18,615	88,400	18,615
2036-2037	-	-	-	-	34,500	2,349	34,500	2,349
<b>Totals</b>	<b>\$ 445,000</b>	<b>\$ 135,653</b>	<b>\$ 59,700</b>	<b>\$ 16,620</b>	<b>\$ 507,900</b>	<b>\$ 473,588</b>	<b>\$ 1,012,600</b>	<b>\$ 625,861</b>

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

**NOTE 15 - LONG-TERM DEBT - Continued**

The long-term notes are payable as follows:

	Land Mortgage Notes		Columbia Gas Building Notes		Juvenile Detention Facility Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 17,994	\$ 4,199	\$ 5,260	\$ 9,481	\$ 9,960	\$ 10,748
2007	19,273	2,771	5,553	9,188	10,373	10,334
2008	20,582	1,428	5,838	8,902	10,777	9,931
2009	-	-	6,188	8,552	11,251	9,456
2010	-	-	6,533	8,207	11,718	8,989
2011-2015	-	-	38,531	35,172	66,277	37,261
2016-2020	-	-	50,529	23,158	81,217	22,321
2021-2025	-	-	51,586	7,388	57,404	4,836
2026-2030	-	-	-	-	-	-
2031-2035	-	-	-	-	-	-
2036-2037	-	-	-	-	-	-
Totals	\$ 57,849	\$ 8,398	\$ 170,018	\$ 110,048	\$ 258,977	\$ 113,876

	Bridge Replacement OPWC Loans		REMCO Equipment JCB Wheeled Excavator Note		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 23,679	\$ 2,003	\$ 21,098	\$ 3,878	\$ 77,991	\$ 30,309
2007	30,430	2,115	22,007	2,969	87,636	27,377
2008	31,042	1,504	22,950	2,026	91,189	23,791
2009	31,554	879	23,945	1,031	72,938	19,918
2010	13,389	337	-	-	31,640	17,533
2011-2015	6,906	68	-	-	111,714	72,501
2016-2020	-	-	-	-	131,746	45,479
2021-2025	-	-	-	-	108,990	12,224
2026-2030	-	-	-	-	-	-
2031-2035	-	-	-	-	-	-
2036-2037	-	-	-	-	-	-
Totals	\$ 137,000	\$ 6,906	\$ 90,000	\$ 9,904	\$ 713,844	\$ 249,132

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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### **NOTE 16 - CAPITAL LEASE OBLIGATIONS**

During fiscal year 2005 the County entered into agreements to lease a 2005 Ford Expedition and a 2005 Ford Crown Victoria for the Sheriff's Office and audio-video equipment for the Common Pleas Court. The terms of the agreements provide options to purchase the vehicles and audio-video equipment at the end of the leases. The leases meet the criteria of capital leases as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. The County has capital leases for which they are making principal and interest payments from previous years. For these leases and the new leases, principal and interest payments made during fiscal year 2005 were \$115,348 and \$8,191, respectively. For the leased assets acquired above, capital assets acquired by leases have been capitalized in the governmental activities capital assets in an amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded. The County's future minimum lease payments under capital lease obligations as of December 31, 2005 are as follows:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2006	\$ 68,345
2007	54,117
2008	13,124
2009	<u>13,124</u>
Total minimum lease payments	\$ 148,710
Less: amount representing interest	<u>12,468</u>
Present value of minimum lease payments	<u>\$ 136,242</u>

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

### NOTE 17 - INTERFUND TRANSACTIONS

Fund Type/Fund	Due From Other Funds	Due To Other Funds
General Fund	\$ 49,262	\$ -
Major Special Revenue Funds:		
MRDD	-	1,196
Hocking County Jobs and Family Services	-	74,930
<i>Total Major Funds</i>	49,262	76,126
<i>Non-Major Special Revenue Funds</i>		
Hocking County DHS/CSEA	14,916	15,191
Dog & Kennel	2,567	-
Marriage License	3,915	-
Court Business	14	-
Enforcement - Prosecutor	14	-
Indigent Guardianship	390	-
Drug Law Enforcement	21	-
Real Estate Assessment	10	-
Indigent Drivers Alcohol	201	-
Enforcement and Education	63	-
Computer Legal Research	99	-
Municipal Court Legal Research	650	-
Municipal Clerk's Computer	2,325	-
Special Projects	1,831	-
Children Service's	34,298	-
Certificate of Title	6,280	-
Lodging Tax	-	5,145
Family & Children First	-	23,291
Felony Delinquent Care	-	4,500
Indigent Public Defender	225	-
Juvenile Court Computer	472	-
Probate Court Computer	406	-
Common Pleas Court Computer	755	-
Municipal Court Probation	5,539	-
<i>Total Non-Major Special Revenue Funds</i>	74,991	48,127
<i>Total Governmental Funds</i>	124,253	124,253
<b>Total All Funds</b>	<b>\$ 124,253</b>	<b>\$ 124,253</b>
<u>Fund Type/Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<i>General Fund</i>	\$ 96,832	\$ -
<i>Other Governmental Funds</i>		
<i>Special Revenue Fund</i>		
FEMA - Auto Gas	-	96,832
Total Other Governmental Funds	-	96,832
<b>Total All Funds</b>	<b>\$ 96,832</b>	<b>\$ 96,832</b>

**HOCKING COUNTY**  
Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

**NOTE 17 - INTERFUND TRANSACTIONS - Continued**

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

**Transfers In and Out**

<u>Fund Type/Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<b>Major Funds</b>		
General Fund	\$ 30,000	\$ 411,805
Human Services Fund	94,255	-
<b>Total Major Funds</b>	<u>124,255</u>	<u>411,805</u>
<b>Other Governmental Funds</b>		
<i>Non-Major Special Revenue Funds</i>		
Certificate of Title	-	30,000
Children's Services Fund	285,000	-
VOCA Grant 96 Fund	11,913	-
Sheriff LEBG	-	-
Hocking County Emergency Mgt.	-	-
<i>Total Non-Major Special Revenue Funds</i>	<u>296,913</u>	<u>30,000</u>
<i>Non-Major Debt Service Funds</i>		
General Obligation Debt	20,637	-
<i>Total Non-Major Debt Service Funds</i>	<u>20,637</u>	<u>-</u>
<b>Total Other Governmental Funds</b>	317,550	30,000
<b>Total All Funds</b>	<u>\$ 441,805</u>	<u>\$ 441,805</u>

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

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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### **NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

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

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

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

#### **Athens/Hocking Joint Solid Waste Management District**

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

#### **Buckeye Joint-County Self Insurance Council**

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

#### **Ohio Government Risk Management Plan**

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

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

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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### **NOTE 19 – JOINT VENTURE**

#### **Corrections Commission of Southeastern Ohio**

The County is a participant with Athens, Morgan and Perry counties in the Corrections Commission of Southeastern Ohio (the Commission) which is a joint venture of the participating counties. The purpose of the Commission is to augment the county jail programs and facilities. The operation of the Commission allows for the humane and constitutional detention of persons who cannot be released to less restrictive alternatives. The participating Boards of County Commissioners established the Commission. The Commission is directed by the Sheriff of each participating county, the presiding Judge of the Court of Common Pleas of each participating county, and the current president of each participating Board of County Commissioners. Each county is obligated to provide financial support to this entity through per diem charges and assessments that are based on the number of beds contractually assigned to each county in proportion to the total number of beds of all participating counties. The County has an ongoing financial responsibility for this entity and, during 2005, contributed \$423,632 toward the operating and capital costs of this facility. However the County has no explicit equity interest in the Commission. Complete financial statements of the joint venture can be obtained from the Corrections Commission of Southeastern Ohio, 16678 Wolfe Bennett Road, Nelsonville, Ohio 45764.

### **NOTE 20 – CONTINGENT LIABILITIES**

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

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

### **NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL**

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

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2005

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

**Charity Care** - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Attached to the grants are certain restrictions requiring the Hospital to provide an annual amount of uncompensated care to indigent patients. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The amount of charity care not recorded as revenue was approximately \$526,241 in 2005.

**Net Patient Service Revenue and Patient Accounts Receivable** - Normal billing rates for patient services less contractual adjustments are included in patient service revenue. Patient accounts receivable is adjusted for contractual allowances which are reported on the basis of preliminary estimates of the amounts to be received from third party payers. Final adjustments are recorded in the period such amounts are finally determined. In 2005, approximately 43% of the Hospital's total patient revenue was derived from Medicare payments while 16% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance payments and individual self-payments.

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

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

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

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

Land Improvements	15-20 years
Building and improvements	10-40 years
Equipment	3-7 years

**Deferred Financing Costs** - Deferred financing costs consist primarily of underwriter fees and other costs related to the issuance of the bonds and are being amortized over the life of the bonds based on the straight-line method. Accumulated amortization as of December 31, 2005 was \$43,011.

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

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

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

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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

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

#### **2. NET PATIENT SERVICE REVENUE**

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

##### *Medicare and Medicaid*

The Hospital is a provider of services under the Medicare and Medicaid programs. The Hospital is designated as a critical access facility by the Medicare program. As a result, Medicare inpatient and outpatient services are reimbursed at 101% of the cost of providing those services. Payment for a majority of Medicaid inpatient and outpatient services is based on a prospectively determined amount.

##### *Other Payers*

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

Gross patient service revenue and the allowances to reconcile to net patient service revenue for the year ended December 31, 2005 is as follows:

	<u>2005</u>
Gross patient service revenues	\$49,334,605
Less third-party allowances	20,522,409
Less bad debts	<u>2,646,748</u>
Net patient service revenue	<u>\$26,165,448</u>

#### **3. DEPOSITS AND INVESTMENTS**

*Deposits* - At December 31, 2005, the carrying amount of the Hospital's bank deposits for all funds is \$1,621,283 as compared to a bank balance of \$2,126,191. The difference in carrying amounts and bank balances are caused by outstanding checks and deposits in-transit. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Of the bank balances, at December 31, 2005 \$119,161 is covered by Federal insurance programs and \$2,007,030, is collateralized with securities held by the financial institution or by its trust department or agent but not in the Hospital's name and therefore is subject to custodial credit risk.

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:

	Carrying Amount	Maturities	
		> than 1 year	1-5 years
<b>December 31, 2005</b>			
Certificates of Deposit	<u>\$517,774</u>	<u>\$397,774</u>	<u>\$120,000</u>

Interest rate risk – The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2005

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

Credit risk – The Hospital may invest in United States obligations or any other obligation guaranteed by the United States; bonds, notes or any other obligations or securities issued by any federal government or instrumentality; time certificate of deposit or savings or deposit accounts, including passbook accounts, in any eligible institution mentioned in Section 135.32; bonds and other obligations of the State of Ohio or the political subdivisions of the state provided that such political subdivisions are located wholly or partly within the same county; and certain no load money market mutual funds; certain commercial paper; and certain repurchase agreements.

Concentration of credit risk- The Hospital places no limit on the amount it may invest in any one issuer. The Hospital maintains its investments, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on investments. At December 31, 2005 had 100% of its investments invested in certificates of deposits at local banks.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government 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 does not have a policy for custodial credit risk. All of the Hospital’s certificates of deposit are held in the name of the Hospital.

#### **4. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consists of the following:

	12/31/2004	Additions	Retirements/ Transfers	12/31/2005
Land improvements	\$ 282,195	\$ 265,590	\$ -	\$ 547,785
Buildings and improvements	12,338,367	31,053	-	12,369,420
Equipment	11,657,110	460,134	-	12,117,244
Total capital assets	<u>24,277,672</u>	<u>756,777</u>	<u>-</u>	<u>25,034,449</u>
Less accumulated depreciation:				
Land improvements	(209,674)	(14,122)	-	(223,796)
Buildings and improvements	(4,329,822)	(370,206)	-	(4,700,028)
Equipment	(9,847,177)	(656,124)	-	(10,503,301)
Total accumulated depreciation	<u>(14,386,673)</u>	<u>(1,040,452)</u>	<u>-</u>	<u>(15,427,125)</u>
Capital assets, net	<u>\$ 9,890,999</u>	<u>\$ (283,675)</u>	<u>\$ -</u>	<u>\$ 9,607,324</u>

#### **5. MEDICARE AND MEDICAID THIRD-PARTY SETTLEMENTS**

Reimbursement for Medicare and Medicaid patients is subject to audit and final settlements by the respective intermediaries. Final settlements have been reached with Medicare through 2002 and with Medicaid through 1999. The amounts reported in the financial statements represent the estimated settlements outstanding at December 31, 2005, which Hospital management believes will approximate final settlements after audit by the respective agencies.

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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

#### **6. LONG-TERM DEBT AND LEASES**

The Hospital has the following debt outstanding at December 31, 2005:

- 1993 County Hospital Refunding and Improvement Bonds, Term Bonds, 5.35% due December 1, 2008, mandatory annual redemption beginning December 1, 2004, in installments ranging from \$195,000 to \$235,000 plus interest.
- 1993 County Hospital Refunding and Improvement Bonds, Term Bonds, 5.45% due December 1, 2013, mandatory annual redemption beginning December 1, 2009, in installments ranging from \$50,000 to \$65,000 plus interest.
- 1999 County Hospital Improvement Bonds, Serial Bonds, rates ranging from 3.3% to 4.65%, principal due each December 1 through 2013, ranging from \$90,000 to \$145,000 with interest due each June 1 and December 1.
- 1999 County Hospital Improvement Bonds, Term Bonds, 4.75% due December 1, 2019, mandatory annual redemption beginning December 1, 2014, in installments ranging from \$150,000 to \$185,000 plus interest.
- Note payable, bi-annual payments of \$14,250 due and payable each June and December through 2009. Collateralized by related building. In March 2005, the Hospital entered into a note payable for \$250,000 that expires March 2010 at an interest rate of 5.25%.

	12/31/2004	Additions	Payments	12/31/2005	Amount due within 1 year
1993 bonds, issued July 1, 1993	\$ 1,170,000	\$ -	\$ 205,000	\$ 965,000	\$ 215,000
1999 bonds, issued March 1, 1999	2,140,000	-	105,000	2,035,000	110,000
Bond discount	(57,116)	-	4,768	(52,348)	-
Note payable, December 2003	228,000	-	28,500	199,500	28,500
Note payable, March 2005	-	250,000	34,637	215,363	47,722
Capital Leases	867,823	39,750	395,584	511,989	241,292
	\$ 4,348,707	\$ 289,750	\$ 773,489	\$ 3,874,504	\$ 642,514

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

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

	December 31, 2005
Cost of equipment under capital lease	\$ 2,499,210
Accumulated amortization	1,997,794
Net carrying amount	\$ 501,416

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2005

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

Minimum payments on these obligations to maturity as of December 31, 2005 follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 642,514	\$ 171,861	\$ 814,375
2007	626,467	143,609	770,076
2008	479,464	117,476	596,940
2009	260,493	96,804	357,297
2010	235,566	107,196	342,762
2011-2015	605,000	151,273	756,273
2016-2020	835,000	168,150	1,003,150
2021-2023	190,000	9,026	199,026
	<u>\$ 3,874,504</u>	<u>\$ 965,395</u>	<u>\$ 4,839,899</u>

#### **7. LINE OF CREDIT**

During 2005 the Hospital established a \$2,000,000 line of credit with a bank. The line of credit bears an interest rate of 5.25% and expires in April 2006. During 2005, the Hospital borrowed \$300,000.

#### **8. PENSION PLAN**

*Plan Description* - All Hospital employees are required to participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan- a cost sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD)- a defined contribution plan; and the Combined Plan (CO)- a cost sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, healthcare benefits and death benefits to plan members and beneficiaries. OPERS issues a publicly available comprehensive annual financial report, which includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-PERS (7377).

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

<u>Year</u>	<u>Contribution</u>
2005	\$1,314,267
2004	1,244,705
2003	1,186,566

OPERS also provides post-retirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients is available. The healthcare coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB). A portion of each employer's contribution to PERS is set aside for the funding of post-retirement healthcare. The Ohio Revised Code provides statutory authority for employer contributions. The portion of the 2005 employer contribution rates of 13.55% used to fund healthcare was 4.0%. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement healthcare through their contributions to OPERS.

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued

For the Year Ended December 31, 2005

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

An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. An annual increase of 4% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increase, over and above the 4% base increase, were assumed to range from .5% to 6.3%. Healthcare costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), healthcare costs were assumed to increase at 4% (the projected wage inflation rate).

The Traditional Pension and Combined Plans had 376,109 active contributing participants as of December 31, 2005. Hospital contributions made to fund post-employment benefits approximated \$388,000 for 2005. The actuarial value of OPERS net assets at December 31, 2004 were \$10.8 million. The actuarially accrued liability and the unfunded actuarial accrued liability for OPEB, based on the actuarial cost method was \$29.5 million.

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

#### **9. PROFESSIONAL LIABILITY INSURANCE**

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

#### **10. DEFERRED COMPENSATION**

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

#### **11. RELATED PARTIES**

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

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

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

## HOCKING COUNTY

Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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

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

2006	\$	75,075
2007		75,075
2008		75,075
2009		56,306
Total minimum lease payments	\$	<u>281,531</u>

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

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

#### **1. ORGANIZATION AND OPERATIONS**

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

#### **2. ACCOUNTING POLICIES**

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

Depreciation is computed using the accelerated cost recovery system and the modified accelerated depreciation system (straight-line) as appropriate. The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation expense for the year ended December 31, 2005 was \$6,791.97.

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

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

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

Advertising costs- Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2005 was \$505.25.

#### **3. TAX STATUS**

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

#### **4. LEASES**

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

**HOCKING COUNTY**  
Notes to the Basic Financial Statements – Continued  
For the Year Ended December 31, 2005

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**5. IN-KIND CONTRIBUTIONS**

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

Hocking County Financial Condition  
Hocking County

Schedule of Federal Awards Expenditures  
For the Year Ended December 31, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. Department of Housing &amp; Urban Development</b>			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants/State's Program		14.228	
Community Housing Improvement Program	B-C-03-034-1		\$49,805
Formula Grant	B-X-02-034-1		255,000
Formula Grant	B-F-04-034-1		70,116
Formula Grant	B-F-03-034-1		16,001
Total Community Development Block Grants			<u>390,922</u>
Home Investment Partnerships Program	B-C-03-034-1	14.239	<u>143,081</u>
<b>Total U.S. Department of Housing &amp; Urban Development</b>			<b>534,003</b>
<b>U.S. Department of Justice</b>			
<i>Passed through the Ohio Office of the Attorney General</i>			
Crime Victim Assistance	N/A	16.575	45,004
<i>Direct from the Federal Government</i>			
Drug Court Discretionary Grant Program	N	16.585	159,102
<i>Passed through the Ohio Office of Criminal Justice Services</i>			
Byrne Formula Grant Program	DG-E01-9234	16.579	<u>10,132</u>
<b>Total U.S. Department of Justice</b>			<b>214,238</b>
<b>U.S. Department of Labor</b>			
<i>Passed through the Local Area Agency, the Vinton County</i>			
<i>Department of Job &amp; Family Services</i>			
Workforce Investment Act Cluster:			
WIA Adult Program	N/A	17.258	233,323
WIA Youth Activities	N/A	17.259	177,221
WIA Dislocated Workers	N/A	17.260	<u>46,760</u>
Total Workforce Initiative Allocation Cluster:			457,304
<b>Total U.S. Department of Labor</b>			<b>457,304</b>

Hocking County Financial Condition  
Hocking County

Schedule of Federal Awards Expenditures  
For the Year Ended December 31, 2005  
(continued)

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. Department of Transportation</b>			
<i>Passed through the Ohio Department of Transportation</i>			
Highway Planning and Construction	N/A	20.205	\$88,548
Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	20.703	<u>14,225</u>
<b>Total U.S. Department of Transportation</b>			102,773
<b>U.S. Department of General Services Administration</b>			
<i>Passed through the Ohio Secretary of State</i>			
Help America Vote Act of 2002	E05-0098-37	90.401	261,371
<b>U.S. Department of Health &amp; Human Services</b>			
<i>Passed through the Ohio Department of MRDD</i>			
Special Programs for the Aging- Title III, Part D- Disease Prevention and Health Promotion Services	N/A	93.043	578
Special Programs for the Aging- Title III, Part B- Grants for Supportive Services and Senior Citizens	N/A	93.044	36,702
Social Services Block Grant- Title XX	N/A	93.667	29,385
State Children's Insurance Program	N/A	93.767	156
Medical Assistance Program	N/A	93.778	<u>174,068</u>
<b>Total U.S. Department of Health &amp; Human Services</b>			240,889
<b>U.S. Department of Homeland Security</b>			
<i>Passed through the Ohio Department of Public Safety- Emergency Management Agency</i>			
State Domestic Preparedness Equipment Support Programs		97.004	
	MU-T3-0015		2,018
	GE-T4-0025		<u>126,287</u>
Total State Domestic Preparedness Equipment Support Programs			128,305
Public Assistance Grants		97.036	
	DR-073-0C4A2		106,282
	DR-073-0C46A		<u>9,127</u>
Total Public Assistance Grants			115,409
Emergency Management Performance Grants	EMT-50001	97.042	22,638
Pre-Disaster Mitigation Planning Grant	EMC-2003-GR-7043	97.017	4,869
Citizens Corps	N/A	97.053	<u>11,190</u>
<b>Total U.S. Department of Homeland Security</b>			<u>282,411</u>
<b>Total Federal Awards Expenditures</b>			<u><u>\$2,092,989</u></u>

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

See accompanying notes to the Schedule of Federal Awards Expenditures

**HOCKING COUNTY FINANCIAL CONDITION  
HOCKING COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FEDERAL FUNDS NOT REPORTED**

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

**NOTE C - MATCHING FUNDS**

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

**NOTE D - COMMUNITY DEVELOPMENT GRANT PROGRAM**

Hocking County administers a loan program with funds provided by the U.S. Department of Housing and Urban Development, through the Ohio Department of Development, under the Community Development Block CHIP Grant Program. The purpose of this program is to provide loans to low and moderate income families for building improvements. The loans are provided as declining mortgage loans with the intent that they do not have to repay the loans unless they leave the residence before ten years. As of December 31, 2005, the total amount of loans outstanding was \$ 322,232.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hocking County, Ohio, (the County) as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 16, 2006, wherein we noted the County implemented Governmental Accounting Standards Board (GASB) Statement Number 40 and GASB Technical Bulletin No. 2004-2. We did not audit the financial statements of the County's discretely presented component units, Hocking Valley Industries, Inc. and the Hocking Valley Community Hospital. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for Hocking Valley Industries, Inc. and Hocking Valley Community Hospital, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the County in a separate letter dated August 16, 2006.

Board of County Commissioners

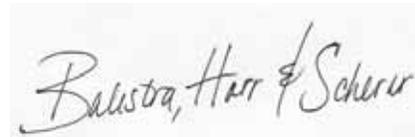
Hocking County

Logan, Ohio

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

Page 2

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

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

Balestra, Harr & Scherer, CPAs, Inc.

August 16, 2006

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
528 S. WEST STREET P.O. BOX 687  
PIKETON, OHIO 45661

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Report on Compliance With Requirements Applicable to Each Major Program and  
on Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of Hocking County, Ohio, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

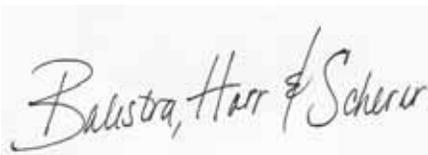
In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

**Internal Control Over Compliance**

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

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

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

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

Balestra, Harr & Scherer, CPAs, Inc.

August 16, 2006

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

**HOCKING COUNTY FINANCIAL CONDITION  
HOCKING COUNTY  
DECEMBER 31, 2005**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs ' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	HOME Investment Partnership Program, CFDA #14.239 and Community Development Block Grant, CDFA #14.228.
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**HOCKING COUNTY FINANCIAL CONDITION  
HOCKING COUNTY  
DECEMBER 31, 2005**

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

Finding Number	None
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**3. FINDINGS FOR FEDERAL AWARDS**

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





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

## **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  
OCTOBER 19, 2006**