Hocking County Financial Condition

Hocking County

Single Audit

January 1, 2007 Through December 31, 2007

Fiscal Year Audited Under GAGAS: 2007

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Mary Taylor, CPA
Auditor of State

Board of Commissioners
Hocking County
1 East Main St.
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We have reviewed the *Independent Auditor's Report* of Hocking County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 25, 2008

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Hocking County Financial Condition
Hocking County, Ohio

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To the Offices, Boards and
Commissioners of Hocking County
1 East Main Street
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 Financial Condition, Hocking County, Ohio (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the County's discretely presented component units, Hocking Valley Industries, Inc. and the Hocking Valley Community Hospital. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for Hocking Valley Industries, Inc. and Hocking Valley Community Hospital, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Hocking County Financial Condition, Hocking County, Ohio, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund, Motor Vehicle Gas Tax fund, Human Services fund, Mentally Retarded & Developmentally Disabled fund and the Emergency Medical Services fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

As described in Note 3, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.*

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

June 27, 2008

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, 2007. 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 2007 are as follows:

Overall:

Total net assets decreased $95,533 virtually all in governmental activities.

Total revenue was $23,648,100 in 2007.

Total program expenses were $23,743,633 in 2007.

Long term debt and other obligations decreased to $2,299,102 in 2007 from $2,430,229 in 2006. The decrease is primarily due to debt service payments during 2007.

Governmental Activities:

Liabilities increased $627,287 from 2006, while total assets increased by $539,320.

Total revenue was $23,468,757 in 2007, while program expenses were $23,556,724.

Program expenses were primarily composed of human services, public works, health, public safety, legislative and executive, and judicial where expenses were $7,665,934, $4,305,240, $3,276,056, $2,892,952, $2,939,957, and $1,593,566, respectively, in 2007.

Business-Type Activities:

Program revenues were $179,343 for Business-Type Activities, while corresponding expenses were $186,909.

Using these Basic Financial Statements

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

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

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 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the County as a whole, the *financial position* of the County has improved. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required or mandated programs and other factors.

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

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

Reporting the County's Most Significant Funds

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

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

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

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 2007 compared to the prior year:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Totals	
Assets	2007	2006 *	2007	2006	2007	2006
Current & Other Assets	$ 20,168,159	$ 19,500,601	$ 75,011	$ 29,498	$ 20,243,170	$ 19,530,099
Capital Assets	19,180,995	19,309,233	1,480,653	1,538,220	20,661,648	20,847,453
Total Assets	39,349,154	38,809,834	1,555,664	1,567,718	40,904,818	40,377,552
Liabilities						
Long-Term Liabilities	1,802,335	1,929,037	496,767	501,192	2,299,102	2,430,229
Current and Other Liabilities	5,552,931	4,798,942	1,733	1,796	5,554,664	4,800,738
Total Liabilities	7,355,266	6,727,979	498,500	502,988	7,853,766	7,230,967
Net Assets						
Invested in Capital Assets						
Net of Debt	18,143,962	18,139,918	988,953	1,038,220	19,132,915	19,178,138
Restricted	10,966,878	10,886,921	-	-	10,966,878	10,886,921
Unrestricted	2,883,048	3,055,016	68,211	26,510	2,951,259	3,081,526
Total Net Assets	$ 31,993,888	$ 32,081,855	$ 1,057,164	$ 1,064,730	$ 33,051,052	$ 33,146,585

* As restated – See note 3 of the Notes to the Basic Financial Statements.

Total assets increased by $527,266. The primary reasons for the increase in total assets are an increase in equity in pooled cash and cash equivalents of approximately $1.1 million which was partially offset by a decrease in intergovernmental receivables of $.3 million and a decrease in unearned revenue of $.5 million. Capital assets in the governmental activities decreased by $128,238 from 2006 to 2007, primarily due to depreciation expense and the business-type activities decreased by $57,567 from 2006 to 2007 due to depreciation expense.

Business-type revenues of $179,343 were insufficient to cover expenses of $186,909 resulting in a decrease in net assets of $7,566 from 2006 to 2007.

Table 2
Changes in Net Assets

	2007			2006*		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues:						
Charges For Services and Sales	$ 2,785,944	$ 168,394	$ 2,954,338	$ 2,771,776	$ 148,880	$ 2,920,656
Operating Grants and Contributions	10,497,525	-	10,497,525	12,694,538	-	12,694,538
Capital Grants and Contributions	179,862	10,949	190,811	-	6,024	6,024
Total Program Revenues	13,463,331	179,343	13,642,674	15,466,314	154,904	15,621,218
General Revenues:						
Property Taxes	5,154,925	-	5,154,925	4,850,107	-	4,850,107
Sales Taxes	2,877,943	-	2,877,943	2,803,986	-	2,803,986
Grants and Entitlements	619,178	-	619,178	1,342,132	-	1,342,132
Interest Earnings	740,658	-	740,658	447,553	-	447,553
Miscellaneous	612,722	-	612,722	645,110	-	645,110
Total General Revenues	10,005,426	-	10,005,426	10,088,888	-	10,088,888
Total Revenues	23,468,757	179,343	23,648,100	25,555,202	154,904	25,710,106
Program Expenses						
General Government:						
Legislative and Executive	2,939,957	-	2,939,957	2,911,563	-	2,911,563
Judicial	1,593,566	-	1,593,566	1,531,699	-	1,531,699
Public Safety	2,892,952	-	2,892,952	2,999,774	-	2,999,774
Public Works	4,305,240	-	4,305,240	3,203,497	-	3,203,497
Health	3,276,056	-	3,276,056	3,348,735	-	3,348,735
Human Services	7,665,934	-	7,665,934	8,262,315	-	8,262,315
Economic Development and Assistance	493,548	-	493,548	565,840	-	565,840
Conservation and Recreation	249,499	-	249,499	229,088	-	229,088
Other	71,400	-	71,400	68,673	-	68,673
Intergovernmental	12,982	-	12,982	12,064	-	12,064
Interest and Fiscal Charges	55,590	-	55,590	63,596	-	63,596
Wastewater Treatment	-	186,909	186,909	-	208,288	208,288
Total Expenses	23,556,724	186,909	23,743,633	23,196,844	208,288	23,405,132
Increase (Decrease) in Net Assets	(87,967)	(7,566)	(95,533)	2,358,358	(53,384)	2,304,974
Net Assets - Beginning of Year - Restated*	32,081,855	1,064,730	33,146,585	29,723,497	1,118,114	30,841,611
Net Assets - End of Year	$ 31,993,888	$ 1,057,164	$ 33,051,052	$ 32,081,855	$ 1,064,730	$ 33,146,585

* As restated – See note 3 of the Notes to the Basic Financial Statements.

Table 2 shows the changes in net assets for fiscal year 2007 and 2006. Governmental net assets decreased $87,967 from 2006 to 2007 due primarily to a decrease in operating grants and contributions of $2,197,013 and an increase in public works expenditures of $1,101,743. These changes were partially offset by decreases in expenditures for public safety, health and human services of $106,822, $72,679 and $596,381, respectively.

For business-type activities, charges for sales and services increased $19,514, capital grants and contributions increased $4,925, and wastewater treatment expenses decreased $21,379, resulting in a slight decrease in net assets of $7,566.

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 44.7% of total revenues for governmental activities. Property taxes and sales taxes provide 22.0% and 12.3% of total revenues for governmental activities.

Human services expenses comprise 32.5% of total expenses for governmental activities. Public works, health, public safety, and general government legislative and executive comprise 18.3%, 13.9%, 12.3% and 12.5%, 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	
	2007	2006	2007	2006
General Government - Legislative and Executive	$ 2,939,957	$ 2,911,563	$ 1,949,894	$ 1,876,702
General Government - Judicial	1,593,566	1,531,699	649,910	768,529
Public Safety	2,892,952	2,999,774	1,793,145	1,762,185
Public Works	4,305,240	3,203,497	1,665,719	198,370
Health	3,276,056	3,348,735	898,375	534,222
Human Services	7,665,934	8,262,315	2,642,351	2,116,933
Economic Development and Assistance	493,548	565,840	180,609	168,642
Conservation and Recreation	249,499	229,088	204,995	186,302
Other	71,400	68,673	58,650	55,759
Intergovernmental	12,982	12,064	10,664	9,795
Interest and Fiscal Charges	55,590	63,596	39,081	53,091
Total Expenses	$ 23,556,724	$ 23,196,844	$ 10,093,393	$ 7,730,530

Over 57.2% of county governmental activities are supported through program revenues.

Business-Type Activities

Business-type activities include wastewater treatment.

Overall net assets decreased $7,566 from 2006 to 2007. Charges for Services and Sales accounted for $168,394 of total revenues of $179,343.

The County's Funds

Information about the County's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of $25,086,492 and expenditures and other uses of $24,783,008. 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 $2,213,771 in 2006 to $1,610,199 for 2007. This decrease of $603,572 was primarily due to a decrease in intergovernmental revenue of $1,192,944.

The General fund experienced an increase in fund balance of $109,811 partially due to increases in taxes of $185,305 and interest revenues of $291,484 which were partially offset by a decrease in intergovernmental revenue of $305,688.

The Human Services fund experienced an increase in fund balance of $189,965 primarily due to an increase in charges for services revenue of $134,974 and a decrease in human services expenditures of $253,759 as well as other less significant changes.

The Mentally Retarded and Developmentally Disabled fund experienced a decrease in fund balance of $25,900 due to a decrease in intergovernmental revenue of $212,341, an increase in taxes of $40,861, a decrease in health expenditures of $44,199, partially offset by a transfer to the Mentally Retarded and Developmentally Disabled Permanent Improvement fund of $185,000.

The Emergency Medical Services fund experienced an increase in fund balance of $127,435 mainly due to an increase in taxes of $45,342 and an increase in intergovernmental revenues of $41,465 which was partially offset by an increase in health expenditures of $38,903.

General Fund Budgeting Highlights

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

During the course of fiscal year 2007 the County amended its general fund budget numerous times, none significant.

For the General Fund, budget basis actual revenue and other financing sources were $7,017,842, above final budget estimates of $6,346,044. Of this $671,798 difference, tax revenue was $233,610 above final estimates, charges for services was $21,312 below final estimates, fines and forfeitures was $55,687 above final estimates, interest revenue was $387,456 above final estimates, and various revenue categories made up the remaining difference.

Budget basis actual expenditures and other financing uses were $6,878,523, below final budget estimates of $7,235,699. Of this $357,176 difference, general government legislative and executive was $116,660 below final estimates, general government judicial was $81,969 below final estimates, and public safety was $108,899 below final estimates. Total actual expenditures and other financing uses on the budget basis (cash outlays plus encumbrances) were $139,319 below revenues.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007 the County had $20,661,648 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure, wastewater treatment plants and collection system, $19,180,995 in governmental activities. Additional information regarding capital assets is shown in Note 8 to the Basic Financial Statements. Tables 4.1 and 4.2 show fiscal 2007 and 2006 balances by Governmental Activity and Business-Type Activity:

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

	2007	2006 *
Land	$ 721,313	$ 700,589
Land Improvements	36,106	39,507
Buildings & Improvements	800,430	730,778
Machinery and Equipment	753,789	739,729
Vehicles	1,076,450	993,967
Infrastructure	15,792,907	16,104,663
Total	$ 19,180,995	$ 19,309,233

* - As Restated - See Note 4

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

	2007	2006
Land	$ 29,000	$ 29,000
Wastewater Treatment Plants	155,277	166,809
Collection System	1,296,376	1,342,411
Vehicles	-	-
Total	$ 1,480,653	$ 1,538,220

Debt

At December 31, 2007 the County had $974,235 in Governmental Activities bonds and long-term notes, $154,355 due within one year. At December 31, 2007, the County had $491,700 in Business Type Activity bonds, $8,700 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

	2007	2006
General Obligation Bonds	$ 345,000	$ 395,000
Long Term Notes	581,135	634,451
Special Assessment Bonds	48,100	54,100
Total	$ 974,235	$ 1,083,551

Table 6
Outstanding Debt At December 31
Business Type Activity

	2007	2006
Revenue Bonds	$ 491,700	$ 500,000

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 14 to the Basic Financial Statements.

Capital Lease Obligations

During fiscal year 2007, the County entered into a capital lease agreement for two 2008 Ford Crown Victorias for the Sheriff's Office. These leases will be paid from the General Fund (Governmental Activities). The lease agreements run through the fiscal year ending 2009 and are recorded as obligations under capital leases in the accompanying financial statements. The County had previous capital leases, which are being paid for out of both the General Fund (Governmental Activities) and the Motor Vehicle Gas Tax Fund (Governmental Activities). The total capital lease obligations outstanding as of December 31, 2007 were $62,798. Of this balance $37,205 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.

Hocking County

Statement of Net Assets

As of December 31, 2007

	Governmental Activities	Business-Type Activities	Total	Component Units: Hospital	Component Units: Adult Activities Workshop
ASSETS					
Equity in Pooled Cash and Cash Equivalents	$ 10,450,117	$ 48,062	$ 10,498,179	$ 2,674,449	$ 138,504
Cash and Cash Equivalents with Fiscal Agents	74,872	-	74,872	-	-
Receivables:					
Taxes	5,323,503	-	5,323,503	-	-
Accounts	86,025	26,949	112,974	4,209,319	-
Interest	-	-	-	10,899	-
Special Assessments	70,126	-	70,126	-	-
Intergovernmental	3,970,882	-	3,970,882	-	-
Materials and Supplies Inventory	192,634	-	192,634	247,314	15,117
Prepaid Items	-	-	-	57,976	1,000
Asset whose use is limited:					
Under bond indenture agreement	-	-	-	330,000	-
Unamortized Financing Costs	-	-	-	57,573	-
Intangible Asset, Net	-	-	-	158,607	
Nondepreciable Capital Assets	721,313	29,000	750,313	-	-
Depreciable Capital Assets, Net	18,459,682	1,451,653	19,911,335	13,010,981	43,413
Total Assets	39,349,154	1,555,664	40,904,818	20,757,118	198,034
Liabilities					
Accounts Payable	378,829	-	378,829	1,188,908	5,619
Accrued Wages and Benefits Payable	209,691	780	210,471	1,797,182	-
Third Party Settlements	-	-	-	500,000	-
Intergovernmental Payable	320,460	953	321,413	-	-
Retainage Payable	74,872	-	74,872	-	-
Unearned Revenue	4,569,079	-	4,569,079	-	-
Line-of-Credit	-	-	-	477,000	-
Long-Term Liabilities:					
Due Within One Year	306,947	10,215	317,162	983,481	3,041
Due In More Than One Year	1,495,388	486,552	1,981,940	4,068,780	1,013
Total Liabilities	7,355,266	498,500	7,853,766	9,015,351	9,673
Net Assets					
Invested in Capital Assets, Net of Related Debt	18,143,962	988,953	19,132,915	7,890,436	39,359
Restricted for:					
Debt Service	105,577	-	105,577	-	-
Capital Projects	676,798	-	676,798	-	-
Motor Vehicle Gas Tax	2,707,674	-	2,707,674	-	-
Human Services	1,300,856	-	1,300,856	-	-
Mentally Retarded & Developmentally Disabled	1,897,077	-	1,897,077	-	-
Emergency Medical Services	1,226,014	-	1,226,014	-	-
Other Purposes	3,052,882	-	3,052,882	330,000	-
Unrestricted	2,883,048	68,211	2,951,259	3,521,331	149,002
Total Net Assets	$ 31,993,888	$ 1,057,164	$ 33,051,052	$ 11,741,767	$ 188,361

See accompanying notes to the basic financial statements.

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Hocking County
Statement of Activities
For the Year Ended December 31, 2007

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	$ 2,939,957	$ 412,065	$ 577,998	$ -
Judicial	1,593,566	803,481	140,175	-
Public Safety	2,892,952	397,957	701,850	-
Public Works	4,305,240	265,046	2,318,719	55,756
Health	3,276,056	235,773	2,017,802	124,106
Human Services	7,665,934	562,415	4,461,168	-
Economic Development and Assistance	493,548	38,683	274,256	-
Conservation and Recreation	249,499	44,504	-	-
Other	71,400	12,750	-	-
Intergovernmental	12,982	2,318	-	-
Interest and Fiscal Charges	55,590	10,952	5,557	-
Total Governmental Activities	23,556,724	2,785,944	10,497,525	179,862
Business-Type Activities				
Wastewater Treatment	186,909	168,394	-	10,949
Total Business-Type Activities	186,909	168,394	-	10,949
Total Primary Government	23,743,633	2,954,338	10,497,525	190,811
Component Units				
Hospital	29,736,191	29,849,581	49,181	218,000
Adult Activities Workshop	842,469	698,298	161,288	-
Total Component Units	$ 30,578,660	$ 30,547,879	$ 210,469	$ 218,000

General Revenues
Property Taxes Levied for:
General Purposes
Other Purposes
Sales Taxes Levied for:
General Purposes
Other Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - As Restated - See Note 3 and Note 20

Net Assets End of Year

See accompanying notes to the basic financial statements.

continued

Net (Expense) Revenue and Changes in Net Assets			Component Units	
Governmental Activities	**Business-Type Activities**	**Total**	**Hospital**	**Adult Activities Workshop**
$ (1,949,894)	$ -	$ (1,949,894)	$ -	$ -
(649,910)	-	(649,910)	-	-
(1,793,145)	-	(1,793,145)	-	-
(1,665,719)	-	(1,665,719)	-	-
(898,375)	-	(898,375)	-	-
(2,642,351)	-	(2,642,351)	-	-
(180,609)	-	(180,609)	-	-
(204,995)	-	(204,995)	-	-
(58,650)	-	(58,650)	-	-
(10,664)	-	(10,664)	-	-
(39,081)	-	(39,081)	-	-
(10,093,393)	-	(10,093,393)	-	-
-	(7,566)	(7,566)	-	-
-	(7,566)	(7,566)		
(10,093,393)	(7,566)	(10,100,959)		
			380,571	-
			-	17,117
			380,571	17,117
1,836,166	-	1,836,166	-	-
3,318,759	-	3,318,759	-	-
2,297,287	-	2,297,287	-	-
580,656	-	580,656	-	-
619,178	-	619,178	-	-
740,658	-	740,658	-	-
612,722	-	612,722	5,473	-
10,005,426	-	10,005,426	5,473	-
(87,967)	(7,566)	(95,533)	386,044	17,117
32,081,855	1,064,730	33,146,585	11,355,723	171,244
$ 31,993,888	$ 1,057,164	$ 33,051,052	$ 11,741,767	$ 188,361

Hocking County

Balance Sheet

Governmental Funds

December 31, 2007

	General	Motor Vehicle Gas Tax	Human Services	Mentally Retarded & Developmentally Disabled	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	$ 2,363,247	$ 981,566	$ 468,071	$ 1,779,209	$ 1,181,126	$ 3,676,898	$ 10,450,117
Cash and Cash Equivalents with Fiscal Agents	-	74,872	-	-	-	-	74,872
Receivables:							
Taxes	2,465,683	-	-	1,368,359	1,114,903	374,558	5,323,503
Accounts	-	-	-	11,766	74,259	-	86,025
Intergovernmental	421,951	1,779,687	1,221,257	151,803	39,927	356,257	3,970,882
Special Assessments	-	-	-	-	-	70,126	70,126
Due from Other Funds	14,167	2,534	-	-	-	96,271	112,972
Materials and Supplies Inventory	-	192,634	-	-	-	-	192,634
Total Assets	$ 5,265,048	$ 3,031,293	$ 1,689,328	$ 3,311,137	$ 2,410,215	$ 4,574,110	$ 20,281,131
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	$ 37,376	$ 98,170	$ 54,437	$ 11,230	$ 2,745	$ 174,871	$ 378,829
Accrued Wages and Benefits Payable	69,104	24,991	30,120	22,592	24,382	38,502	209,691
Retainage Payable	-	74,872	-	-	-	-	74,872
Due to Other Funds	-	-	88,907	1,849	-	22,216	112,972
Intergovernmental Payable	94,267	27,530	69,287	28,145	37,404	63,827	320,460
Deferred Revenue	2,392,068	1,195,531	737,678	1,428,258	1,154,830	326,853	7,235,218
Total Liabilities	2,592,815	1,421,094	980,429	1,492,074	1,219,361	626,269	8,332,042
Fund Balances							
Reserved for Encumbrances	46,819	93,777	50,731	12,437	35,239	131,751	370,754
Unreserved, Undesignated, Reported in:							
General Fund	2,625,414	-	-	-	-	-	2,625,414
Special Revenue Funds	-	1,516,422	658,168	1,806,626	1,155,615	3,034,652	8,171,483
Debt Service Funds	-	-	-	-	-	104,640	104,640
Capital Projects Funds	-	-	-	-	-	676,798	676,798
Total Fund Balances	2,672,233	1,610,199	708,899	1,819,063	1,190,854	3,947,841	11,949,089
Total Liabilities and Fund Balances	$ 5,265,048	$ 3,031,293	$ 1,689,328	$ 3,311,137	$ 2,410,215	$ 4,574,110	$ 20,281,131

See accompanying notes to the basic financial statements.

Hocking County

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2007

Total Governmental Fund Balances		$ 11,949,089
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		19,180,995
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	332,121	
Intergovernmental	2,334,018	
Total		2,666,139
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	(765,302)	
Long Term Notes	(581,135)	
General Obligation Bonds	(345,000)	
Special Assessment Bonds	(48,100)	
Capital Lease Obligations	(62,798)	
Total		(1,802,335)
Net Assets of Governmental Activities		$ 31,993,888

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, 2007

	General	Motor Vehicle and Gas Tax	Human Services	Mentally Retarded & Developmentally Disabled	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	$ 4,106,140	$ -	$ -	$ 1,212,020	$ 1,050,855	$ 1,616,322	$ 7,985,337
Intergovernmental	718,614	3,036,132	3,553,074	655,781	97,600	3,672,809	11,734,010
Charges for Services	1,058,367	118,416	139,492	-	450,705	389,367	2,156,347
Fees, License and Permits	2,202	-	-	-	-	76,820	79,022
Fines and Forfeitures	201,039	55,547	-	-	-	284,311	540,897
Special Assessments	-	-	-	-	-	9,679	9,679
Interest	707,214	22,644	-	-	-	10,800	740,658
Miscellaneous	70,359	55,880	214,748	10,374	-	261,358	612,719
Total Revenues	6,863,935	3,288,619	3,907,314	1,878,175	1,599,160	6,321,466	23,858,669
Expenditures							
Current:							
General Government:							
Legislative and Executive	1,947,599	-	-	-	-	944,273	2,891,872
Judicial	1,380,662	-	-	-	-	229,007	1,609,669
Public Safety	1,775,515	-	-	-	-	1,145,944	2,921,459
Public Works	36,725	3,821,012	-	-	-	-	3,857,737
Health	55,757	-	-	1,719,075	1,471,725	118,029	3,364,586
Human Services	352,940	-	3,784,535	-	-	3,524,306	7,661,781
Conservation and Recreation	249,222	-	-	-	-	-	249,222
Economic Development and Assistance	44,665	-	-	-	-	448,804	493,469
Other	71,400	-	-	-	-	-	71,400
Capital Outlay	39,490	-	-	-	-	193,646	233,136
Intergovernmental	12,982	-	-	-	-	-	12,982
Debt Service:							
Principal	37,760	96,819	-	-	-	71,927	206,506
Interest and Fiscal Charges	3,645	9,094	-	-	-	42,851	55,590
Total Expenditures	6,008,362	3,926,925	3,784,535	1,719,075	1,471,725	6,718,787	23,629,409
Excess of Revenues Over (Under) Expenditures	855,573	(638,306)	122,779	159,100	127,435	(397,321)	229,260
Other Financing Sources/(Uses)							
Proceeds of OPWC Loans	-	34,734	-	-	-	-	34,734
Inception of Capital Lease	39,490	-	-	-	-	-	39,490
Transfers In	-	-	137,819	-	-	1,015,780	1,153,599
Transfers Out	(785,252)	-	(70,633)	(185,000)	-	(112,714)	(1,153,599)
Total Other Financing Sources/(Uses)	(745,762)	34,734	67,186	(185,000)	-	903,066	74,224
Net Changes in Fund Balances	109,811	(603,572)	189,965	(25,900)	127,435	505,745	303,484
Fund Balances Beginning of Year	2,562,422	2,213,771	518,934	1,844,963	1,063,419	3,442,096	11,645,605
Fund Balances End of Year	$ 2,672,233	$ 1,610,199	$ 708,899	$ 1,819,063	$ 1,190,854	$ 3,947,841	$ 11,949,089

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, 2007

Net Change in Fund Balances - Total Governmental Funds		$ 303,484
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital Asset Additions	1,325,869	
Current Year Depreciation	(1,454,107)	
Total		(128,238)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	47,531	
Intergovernmental	(437,446)	
Total		(389,915)
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.		(34,734)
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.		144,050
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.		62,456
New capital lease obligations in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.		(39,490)
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	(5,580)	
Total		(5,580)
Net Change in Net Assets of Governmental Activities		$ (87,967)

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, 2007

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes	$3,862,000	$3,862,000	$4,095,610	$233,610
Charges for Services	1,072,278	1,072,278	1,050,966	(21,312)
Licenses and Permits	2,400	2,400	2,202	(198)
Fines and Forfeitures	141,150	141,150	196,837	55,687
Intergovernmental	875,000	875,675	879,538	3,863
Interest	330,000	330,000	717,456	387,456
Other	62,540	62,541	71,233	8,692
Total Revenues	6,345,368	6,346,044	7,013,842	667,798
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	1,796,713	2,097,234	1,980,574	116,660
Judicial	1,254,650	1,473,572	1,391,603	81,969
Public Safety	1,980,505	1,957,692	1,848,793	108,899
Public Works	25,469	38,846	36,685	2,161
Health	57,557	60,278	56,925	3,353
Human Services	244,277	374,870	354,017	20,853
Conservation and Recreation	226,702	263,902	249,222	14,680
Community and Economic Development	73,797	48,355	45,665	2,690
Other	628,000	75,606	71,400	4,206
Intergovernmental	-	13,747	12,982	765
Debt Service:				
Principal Retirements	37,760	37,760	37,760	0
Interest	3,645	3,645	3,645	0
Total Expenditures	6,329,075	6,445,507	6,089,271	356,236
Excess of Revenues Over (Under) Expenditures	16,293	(99,463)	924,571	1,024,034
OTHER FINANCING SOURCES AND USES:				
Advances In	-	-	4,000	4,000
Transfers Out	(480,718)	(790,192)	(785,252)	4,940
Advances Out	-	-	(4,000)	(4,000)
Total Other Financing Sources and Uses	(480,718)	(790,192)	(785,252)	4,940
Net Change in Fund Balance	(464,425)	(889,655)	139,319	1,028,974
Fund Balance at Beginning of Year	2,054,823	2,054,823	2,054,823	0
Prior Year Encumbrances Appropriated	51,548	51,548	51,548	0
Fund Balance at End of Year	$1,641,946	$1,216,716	$2,245,690	$1,028,974

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, 2007

	Budgeted Amounts			Variance with Final Budget:
	Original	Final	Actual	Positive (Negative)
REVENUES:				
Charges for Services	$ 200,300	$ 273,706	$ 195,241	$ (78,465)
Fines and Forfeitures	30,000	30,000	54,517	24,517
Intergovernmental	3,505,756	3,505,756	3,560,634	54,878
Interest	5,000	5,000	24,393	19,393
Other	98,700	25,294	55,880	30,586
Total Revenues	3,839,756	3,839,756	3,890,665	50,909
EXPENDITURES:				
Current:				
Public Works	3,732,756	4,314,871	3,928,952	385,919
Debt Service:				
Principal Retirements	97,500	97,500	96,819	681
Interest	9,500	9,500	9,094	406
Total Expenditures	3,839,756	4,421,871	4,034,865	387,006
Net Change in Fund Balance	-	(582,115)	(144,200)	437,915
Fund Balance at Beginning of Year	902,992	902,992	902,992	-
Prior Year Encumbrances Appropriated	105,614	105,614	105,614	-
Fund Balance at End of Year	$ 1,008,606	$ 426,491	$ 864,406	$ 437,915

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, 2007

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Charges for Services	$ 4,000	$ 4,000	$ 130,627	$ 126,627
Intergovernmental	4,416,500	3,889,927	3,452,223	(437,704)
Other	535,755	638,755	348,212	(290,543)
Total Revenues	4,956,255	4,532,682	3,931,062	(601,620)
EXPENDITURES:				
Current:				
Human Services	4,224,283	3,970,458	3,873,173	97,285
Total Expenditures	4,224,283	3,970,458	3,873,173	97,285
Excess of Revenues Over (Under) Expenditures	731,972	562,224	57,889	(504,335)
Other Financing Sources and Uses:				
Transfers In	666,380	666,380	137,819	(528,561)
Transfers Out	-	(70,633)	(70,633)	-
Total Other Financing Sources and Uses	666,380	595,747	67,186	(528,561)
Net Change in Fund Balance	1,398,352	1,157,971	125,075	(1,032,896)
Fund Balance at Beginning of Year	(31,571)	(31,571)	(31,571)	-
Prior Year Encumbrances Appropriated	235,667	235,667	235,667	-
Fund Balance at End of Year	$ 1,602,448	$ 1,362,067	$ 329,171	$ (1,032,896)

See accompanying notes to the basic financial statements.

Hocking County
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
Mentally Retarded and Developmentally Disabled Fund
For the Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Property Taxes	$ 1,155,815	$ 1,155,815	$ 1,212,020	$ 56,205
Intergovernmental	647,982	647,982	409,188	(238,794)
Other	26,330	26,330	256,002	229,672
Total Revenues	1,830,127	1,830,127	1,877,210	47,083
EXPENDITURES:				
Current:				
Health	2,478,377	2,497,119	1,743,318	753,801
Total Expenditures	2,478,377	2,497,119	1,743,318	753,801
Excess of Revenues Over (Under) Expenditures	(648,250)	(666,992)	133,892	800,884
OTHER FINANCING SOURCES AND USES:				
Transfers Out	(270,000)	(270,000)	(185,000)	85,000
Total Other Financing Sources and Uses	(270,000)	(270,000)	(185,000)	85,000
Net Change in Fund Balance	(918,250)	(936,992)	(51,108)	885,884
Fund Balance at Beginning of Year	1,782,261	1,782,261	1,782,261	-
Prior Year Encumbrances Appropriated	22,540	22,540	22,540	-
Fund Balance at End of Year	$ 886,551	$ 867,809	$ 1,753,693	$ 885,884

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, 2007

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Property Taxes	$ 920,000	$ 920,000	$ 1,050,855	$ 130,855
Charges for Services	300,000	300,000	439,430	139,430
Intergovernmental	105,000	105,000	109,616	4,616
Total Revenues	1,325,000	1,325,000	1,599,901	274,901
EXPENDITURES:				
Current:				
Health	1,900,565	1,907,389	1,512,265	395,124
Total Expenditures	1,900,565	1,907,389	1,512,265	395,124
Excess of Revenues Over/(Under) Expenditures	(575,565)	(582,389)	87,636	670,025
Net Change in Fund Balance	(575,565)	(582,389)	87,636	670,025
Fund Balance at Beginning of Year	896,725	896,725	896,725	-
Prior Year Encumbrances Appropriated	151,794	151,794	151,794	-
Fund Balance at End of Year	$ 472,954	$ 466,130	$ 1,136,155	$ 670,025

See accompanying notes to the basic financial statements.

Hocking County
Statement of Fund Net Assets
Proprietary Fund
December 31, 2007

		Sewer Fund
ASSETS:		
Current Assets		
Equity in Pooled Cash		
and Cash Equivalents	$	48,062
Accounts Receivable (net of		
allowance, where applicable)		26,949
Total Current Assets		75,011
Noncurrent Assets		
Non-Depreciable Capital Assets		29,000
Depreciable Capital Assets, net		1,451,653
Total Noncurrent Assets		1,480,653
Total Assets	$	1,555,664
LIABILITIES:		
Current Liabilities		
Accrued Wages and Benefits	$	780
Intergovernmental Payable		953
Total Current Liabilities		1,733
Noncurrent Liabilities		
Long Term Liablities:		
Due Within One Year		10,215
Due in More Than One Year		486,552
Total Noncurrent liabilities		496,767
Total Liabilities		498,500
NET ASSETS:		
Invested in capital assets, net of related debt		988,953
Unrestricted		68,211
Total Net Assets	$	1,057,164

See accompanying notes to the basic financial statements.

Hocking County
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2007

	Sewer Fund
Operating Revenues	
Charges for Services	$ 168,394
Total Operating Revenues	168,394
Operating Expenses	
Salaries and Wages	36,556
Fringe Benefits	12,636
Contractual Services	36,589
Depreciation	57,567
Materials & Supplies	8,029
Other	10,353
Total Operating Expenses	161,730
Operating Income	6,664
Nonoperating Expenses	
Interest & Fiscal Charges	(25,179)
Total Nonoperating Expenses	(25,179)
Change in Net Assets Before Capital Contributions	(18,515)
Capital Contributions - Assessments	10,949
Total Capital Contributions	10,949
Change in Net Assets	(7,566)
Net Assets at Beginning of Year	1,064,730
Net Assets at End of Year	$ 1,057,164

See accompanying notes to the basic finanical statements.

Hocking County
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2007

		Sewer Fund
Increase/(Decrease) in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Cash Received from Customers	$	169,332
Cash Payments to Suppliers for Goods and Services		(44,618)
Cash Payments for Other Operating Expenses		(10,353)
Cash Payments to Employees for Services and Benefits		(45,380)
Net Cash Provided by Operating Activities		68,981
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions- Special Assessments		10,949
Principal Payments		(8,300)
Interest Payments		(25,179)
Net Cash Used by Capital and Related Financing Activities		(22,530)
Net Increase in Cash and Cash Equivalents		46,451
Cash and Cash Equivalents at Beginning of Year		1,611
Cash and Cash Equivalents at End of Year	$	48,062
Reconciliation of Operating Income to Net Cash Provided by/(Used for) Operating Activities:		
Operating Income	$	6,664
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:		
Depreciation		57,567
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable		938
Increase/(Decrease) in Intergovernmental Payable		(231)
Increase/(Decrease) in Compensated Absences		3,875
Increase/(Decrease) in Accrued Wages and Benefits		168
Total Adjustments		62,317
Net Cash Provided by Operating Activities	$	68,981

See accompanying notes to the basic financial statements.

Hocking County

Statement of Fiduciary Assets and Liabilities

Agency Funds

December 31, 2007

ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$	2,502,600
Cash and Cash Equivalents in Segregated Accounts		373,769
Taxes Receivable		19,519,121
Intergovernmental Receivable		1,210,685
Total Assets	$	23,606,175
LIABILITIES:		
Due to Other Governments		22,281,491
Undistributed Monies		1,312,989
Deposits Held and Due to Others		11,695
Total Liabilities	$	23,606,175

See accompanying notes to the basic financial statements.

NOTE 1 - REPORTING ENTITY

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

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

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

Discretely Presented Component Units: The component units' columns in the basic financial statements identify the financial data of the County's component units, Hocking Valley Industries, Inc. and Hocking Valley Community Hospital. They are reported separately from the primary government to emphasize that they are legally separate from the County. Notes 20 and 21 provide significant disclosures related to these component units.

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

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

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

NOTE 1 - REPORTING ENTITY - Continued

The County is associated with certain organizations, three of which are defined as Jointly Governed Organizations, and one joint venture. These organizations are presented in Note 17 and 18 to the Basic Financial Statements. These organizations are:

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-Wide Financial Statements

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Financial Statements

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

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

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

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

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

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.

Proprietary Funds

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2007. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, fines and forfeitures collected and distributed to other political subdivisions, and for certain County department outside bank accounts.

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenues – Exchange and Nonexchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest. The permissive sales taxes, various State of Ohio non-reimbursable grants, local government, local government revenue assistance, gasoline tax, motor vehicle license tax, and undivided library taxes are recognized as receivables in accordance with the fiscal year of the State of Ohio that ends June 30, 2008. Therefore six months of receivables have been recorded for these revenue types.

Deferred Revenues/Unearned Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim at December 31, 2007, but were levied to finance 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue. In addition permissive sales taxes, various State of Ohio non-reimbursable grants, local government, local government revenue assistance, gasoline tax, motor vehicle license tax, and undivided library taxes received after the sixty-day availability period have been recorded as deferred revenue. On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue. On the statement of net assets the remaining portions of property taxes receivable which are not recognized as revenue are reported as unearned revenue.

Expenses/Expenditures

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Estimated Resources: The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported as the final budget on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2007.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Interest is distributed to the General Fund, the Motor Vehicle Gas Tax Fund, and the Justice Assistance Grant Nonmajor Special Revenue Fund and the interest earned during 2007 amounted to $707,214, $22,644 and $10,800 respectively.

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

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

Net Assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Other purposes restricted net assets include various grants and other resources restricted for various purposes. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the County's $10,966,878 restricted net assets, none are restricted by enabling legislation.

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

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

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. Interfund transfers within governmental activities are eliminated on the statement of activities.

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES/PRIOR PERIOD RESTATEMENT

In accordance with GASB Statement No. 34, the County is presenting all infrastructure meeting the County capitalization threshold in the basic financial statements. This change in accounting method had the following effect on the beginning balance of net assets.

	Governmental Activities
Net Assets, December 31, 2006	$ 22,240,340
Restatement	9,841,515
Restated Net Assets, December 31,2006	$ 32,081,855

For the fiscal year 2007, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". GASB No. 48 addresses disclosures pertaining to future revenues that have been pledged or sold to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so. The implementation of this statement did not result in any prior year restatements or current year effect in the basic financial statements. For additional information please see Note 14.

NOTE 4 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental funds (GAAP basis).
4. Certain other financing sources are recorded on a GAAP basis but are not recorded on a budget basis.
5. Advances-In and Advances-Out are recorded as other financing sources and uses on a budget basis as opposed to increases or decreases in Interfund Receivables or Payables on a GAAP basis.

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

Net Changes in Fund Balances
Major Governmental Funds

	General	Motor Vehicle Gas Tax	Human Services	Mentally Retarded And Developmentally Disabled	Emergency Medical Services
GAAP Basis	$ 109,811	$ (603,572)	$ 189,965	$ (25,900)	$ 127,435
Increases (Decreases) Due To:					
Revenue Accruals	149,907	567,312	23,748	(965)	741
Expenditure Accruals	36,648	84,008	50,257	1,273	4,430
Inception of Capital Lease	(39,490)	-	-	-	-
Advances-In	4,000	-	-	-	-
Advances-Out	(4,000)	-	-	-	-
Encumbrances	(117,557)	(191,948)	(138,895)	(25,516)	(44,970)
Budget Basis	$ 139,319	$ (144,200)	$ 125,075	$ (51,108)	$ 87,636

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

1. 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.

NOTE 5 - DEPOSITS AND INVESTMENTS – Continued

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

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

Deposits. At year-end, the County's bank balance of $13,913,224 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years. The last reappraisal was completed in 2004. Real property taxes are payable annually or semiannually. The first payment is due February 14, with the remainder payable by July 18.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 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 proceeding 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.

NOTE 6 - PROPERTY TAXES - Continued

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

Accrued property taxes receivables represent delinquent taxes outstanding and real, tangible personal, and public utility taxes that were measurable and unpaid as of December 31, 2007. 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 2007 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, 2007, was $11.20 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	$ 441,697,390
Commercial/Industrial	47,163,370
Public Utilities	101,320
Minerals	896,890
Tangible Personal Property	
General	8,329,740
Public Utility	48,064,550
Total Property Taxes	$ 546,253,260

NOTE 7 - PERMISSIVE SALES TAX

In prior years, the County Commissioners, by resolution, imposed a one percent tax on certain retail sales, made in the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited entirely to the general fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2007 amounted to $2,297,287.

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 2007 amounted to $580,656.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance January 1, 2007 *	Additions	Reductions	Balance December 31, 2007
Governmental Activities:				
Nondepreciable Capital Assets				
Land	$ 700,589	$ 20,724	$ -	$ 721,313
Total Nondepreciable Capital Assets	700,589	20,724	-	721,313
Depreciable Capital Assets				
Land Improvements	51,675	-	-	51,675
Buildings and Improvements	1,486,321	114,769	-	1,601,090
Infrastructure	21,820,192	753,502	-	22,573,694
Vehicles	3,333,041	265,417	-	3,598,458
Machinery and Equipment	2,786,703	171,457	-	2,958,160
Total Depreciable Capital Assets	29,477,932	1,305,145	-	30,783,077
Less Accumulated Depreciation for				
Land Improvements	(12,168)	(3,401)	-	(15,569)
Buildings and Improvements	(755,543)	(45,117)	-	(800,660)
Infrastructure	(5,715,529)	(1,065,258)	-	(6,780,787)
Vehicles	(2,339,074)	(182,934)	-	(2,522,008)
Machinery and Equipment	(2,046,974)	(157,397)	-	(2,204,371)
Total Accumulated Depreciation	(10,869,288)	(1,454,107)	-	(12,323,395)
Total Depreciable Capital Assets, Net	18,608,644	(148,962)	-	18,459,682
Governmental Activities Capital Assets, Net	$ 19,309,233	$ (128,238)	$ -	$ 19,180,995

* - As restated - See Note 3

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007
Business Type Activities:				
Nondepreciable Capital Assets				
Land	$ 29,000	$ -	$ -	$ 29,000
Total Nondepreciable Capital Assets	29,000	-	-	29,000
Depreciable Capital Assets				
Wastewater Treatment Plants	341,079	-	-	341,079
Vehicles	11,000	-	-	11,000
Collection System	1,812,955	-	-	1,812,955
Total Depreciable Capital Assets	2,165,034	-	-	2,165,034
Less Accumulated Depreciation for				
Wastewater Treatment Plants	(174,270)	(11,532)	-	(185,802)
Vehicles	(11,000)	-	-	(11,000)
Collection System	(470,544)	(46,035)	-	(516,579)
Total Accumulated Depreciation	(655,814)	(57,567)	-	(713,381)
Total Depreciable Capital Assets, Net	1,509,220	(57,567)	-	1,451,653
Business-Type Activities Capital Assets, Net	$ 1,538,220	$ (57,567)	$ -	$ 1,480,653

NOTE 8 - CAPITAL ASSETS - Continued

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	$ 59,808
Judicial	24,476
Public Safety	94,512
Public Works	1,198,802
Health	26,956
Human Services	49,276
Conservation and Recreation	277
Total Depreciation Expense - Governmental Activities	$ 1,454,107

NOTE 9 - INTERGOVERNMENTAL RECEIVABLES

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

Fund/Type	Amount
Major Funds	
General Fund	
Local Government	$ 302,724
Homestead Rollback	84,850
Other	34,377
Total General Fund	421,951
Motor Vehicle Gas Tax	
License, Gasoline & Permissive Taxes	1,762,775
Other	16,912
Total Motor Vehicle Gas Tax	1,779,687
Human Services	
Grants and Entitlements	1,221,257
Total Human Services	1,221,257
Mentally Retarded and Developmentally Disabled	
Grants and Entitlements	91,904
Homestead Rollback	59,899
Total Mentally Retarded and Developmentally Disabled	151,803
Emergency Medical Services	
Homestead Rollback	39,927
Total Emergency Medical Services	39,927
Total Major Funds	3,614,625
Other Governmental Funds	
Grants and Entitlements	219,760
Homestead Rollback	9,982
Other	126,515
Total Other Governmental Funds	356,257
Total Intergovernmental Receivable - Governmental Funds	$ 3,970,882
Agency Funds	
License, Gasoline and Permissive Taxes	$ 471,468
Undivided Library Tax	564,221
Local Government	54,577
Other	120,419
Total Agency Funds	$ 1,210,685

NOTE 10 - RISK MANAGEMENT

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

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

In the event of losses, the member will pay the first $250 to $1,000 of any valid claim depending on the type of loss, except for Law Enforcement and Public Official Liability, 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-data 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 2007, Hocking County paid $132,162 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 11 - DEFINED BENEFIT RETIREMENT PLAN

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

Ohio Public Employees Retirement System

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

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

NOTE 11 - DEFINED BENEFIT RETIREMENT PLAN - Continued

B. OPERS provides retirement, disability, 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) 222-5601 or 1-800-222-7377.

E. The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, 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 2007 member contribution rates were 9.5% for members in state, local, and public safety classifications. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%.

The 2007 employer contribution rate for state employers was 13.77% of covered payroll. For local government employer units, the rate was 13.85% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2007 was 17.17%.

The County's contributions to OPERS for the years ended December 31, 2007, 2006, and 2005, were $1,442,583, $1,285,621, and $1,125,965, respectively. 93.4% has been contributed for 2007 and 100% for years 2006 and 2005. Of the 2007 amount, $95,606 was unpaid at December 31, 2007 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, 2007, none of the elected officials had elected social security.

NOTE 12 - POST EMPLOYMENT BENEFITS

Public Employees Retirement System:

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

OPERS provides retirement, disability, and survivor benefits as well as post retirement 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 post employment 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 Post Employment Benefit (OPEB) as described in GASB Statement Nos. 12 and 45.

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

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

NOTE 12 - POST EMPLOYMENT BENEFITS - Continued

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

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

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2007, the employer contribution allocated to the health care plan from January 1 through June 30 was 5.0% and from July 1 through December 31 was 6.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement 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, 2006.

Funding Method – An individual entry age 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 deprecation on investment assets annually, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2006 was 6.50%.

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 costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 5% 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 374,979 as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130.

2. The employer contributions that were used to fund post employment benefits were $526,744 for 2007.

3. $12.0 billion represents the actuarial value of OPERS' net assets available for OPEBs at December 31, 2006.

NOTE 12 - POST EMPLOYMENT BENEFITS - Continued

4. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $30.7 billion and $18.7 billion, respectively.

E. OPERS Retirement Board implements a Health Care Preservation Plan

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

NOTE 13 - OTHER EMPLOYEE BENEFITS

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

NOTE 14 - LONG-TERM DEBT

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

Types/Issues	Outstanding 12/31/06	Increases	Decreases	Outstanding 12/31/07	Due In One Year
General Long-Term Obligations					
General Obligation Bonds:					
1998 - 3.8 - 5.35% (Original Issue $750,000)					
Consolidated County Building Bonds	$ 395,000	$ -	$ 50,000	$ 345,000	$ 50,000
Total General Obligation Bonds	395,000	-	50,000	345,000	50,000
Long-Term Notes					
2001 - 7.0% (Original Issue $118,800)					
Land Mortgage Note	39,855	-	19,254	20,601	20,601
2003 - 4.15% (Original Issue $277,692)					
Juvenile Detention Facility Notes	249,017	-	10,373	238,644	10,777
2004 - 5.5% (Original Issue $175,000)					
Columbia Gas Building Note	164,758	-	5,553	159,205	5,838
2005 - 0.02% (Original Issue $72,000)					
OPWC Note - Murray City Bridge Replacement	54,534	-	17,817	36,717	18,176
2005 - 4.25% (Original Issue $90,000)					
REMCO Equipment Note - Wheeled Excavator	67,500	-	22,440	45,060	22,950
2005 - 0.02% (Original Issue $65,000)					
OPWC Note - CR 17 Bridge Replacement	58,787	-	12,613	46,174	12,866
2007 - 0.00% (Original Issue $34,734)					
OPWC Note - TR 317 Bridge Replacement	-	34,734	-	34,734	6,947
Total Long-Term Notes	634,451	34,734	88,050	581,135	98,155
Special Assessment Bonds:					
1996 - 5.5% (Original Issue $53,500)					
Rockbridge Sewer Special Assessment Bonds	35,100	-	2,600	32,500	2,600
1991 - 5.875% (Original Issue $51,834)					
Haydenville FmHA Special Assessment Bonds	19,000	-	3,400	15,600	3,600
Total Special Assessment Bonds	54,100	-	6,000	48,100	6,200
Obligations Under Capital Leases	85,764	39,490	62,456	62,798	37,205
Compensated Absences	759,722	765,302	759,722	765,302	115,387
Total General Long-Term Obligations	$ 1,929,037	$ 839,526	$ 966,228	$ 1,802,335	$ 306,947
Enterprise Fund					
1996 - 4.5% (Original Issue $333,000)					
Rockbridge Sanitary Sewer Revenue Bonds	$ 305,200	$ -	$ 4,700	$ 300,500	$ 4,900
1991 - 5.875% (Original Issue $227,000)					
Haydenville Sewer FmHA Revenue Bonds	194,800	-	3,600	191,200	3,800
Total Revenue Bonds	500,000	-	8,300	491,700	8,700
Compensated Absences	1,192	5,067	1,192	5,067	1,515
Total Enterprise Fund	$ 501,192	$ 5,067	$ 9,492	$ 496,767	$ 10,215

NOTE 14 - 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 County has pledged future special assessment revenues to repay $48,100 (original issue amounts of $105,334) in special assessment bonds issued in 1996 and 1991, respectively. Proceeds from the bonds provided financing for the construction of the Rockbridge and Haydenville sewer lines. The bonds are payable solely from special assessment revenues and are payable through 2017. However, the County would be required to pay any deficit on these bonds if future special assessment revenues were not sufficient to make the debt service payments. Annual principal and interest payments on the bonds are expected to require all of the special assessment revenues. The total principal and interest remaining to be paid on the bonds is $59,032. Principal and interest paid for the current year and total special assessment revenues were $8,696 and $9,679, respectively.

The County has pledged future sewer customer revenues, net of specified operating expenses, to repay $333,000 and $227,000 in sewer revenue bonds issued in 1996 and 1991, respectively. Proceeds from the bonds provided financing for the construction of the Rockbridge and Haydenville wastewater treatment facilities. The bonds are payable solely from sewer customer net revenues and are payable through 2037. Annual principal and interest payments on the bonds are expected to require approximately 53 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $914,779. Principal and interest paid for the current year and total customer net revenues were $33,479 and $64,231, respectively.

The compensated absences liability will be paid from the fund from which the employees are paid.

The capital lease obligations will be repaid from the General Fund and the Motor Vehicle License Tax Fund as described in Note 16.

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.

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

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

	Consolidated Services Building Bonds		Special Assessment Bonds		Sanitary Sewer Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 50,000	$ 18,132	$ 6,200	$ 2,379	$ 8,700	$ 24,756	$ 64,900	$ 45,267
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	20,000	9,630	7,200	1,336	10,300	23,346	37,500	34,312
2012	20,000	8,560	3,100	954	10,600	22,819	33,700	32,333
2013-2017	115,000	25,947	18,100	2,511	62,200	105,310	195,300	133,768
2018-2022	25,000	1,338	-	-	80,000	87,585	105,000	88,923
2023-2027	-	-	-	-	102,700	64,708	102,700	64,708
2028-2032	-	-	-	-	117,300	35,152	117,300	35,152
2033-2037	-	-	-	-	81,000	11,254	81,000	11,254
Totals	$ 345,000	$ 91,939	$ 48,100	$ 10,932	$ 491,700	$ 423,079	$ 884,800	$ 525,950

NOTE 14 - 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
2008	$ 20,601	$ 1,442	$ 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	-	-	6,900	7,843	12,204	8,503
2012	-	-	7,262	7,479	12,689	8,018
2013-2017	-	-	42,953	30,750	71,898	31,640
2018-2022			56,347	17,356	88,116	15,424
2023-2026	-	-	27,184	2,297	19,991	830
Totals	$ 20,601	$ 1,442	$ 159,205	$ 91,386	$ 238,644	$ 92,791

	Bridge Replacement OPWC Loans		REMCO Equipment JCB Wheeled Excavator Note		TR 317 Bridge Replacement	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 31,042	$ 1,504	$ 22,950	$ 2,026	$ 6,947	$ -
2009	31,555	879	22,110	1,032	6,947	-
2010	13,389	337	-	-	6,947	-
2011	6,905	68	-	-	6,947	-
2012	-	-	-	-	6,946	-
2013-2017	-	-	-	-	-	-
2018-2022					-	-
2023-2026	-	-	-	-	-	-
Totals	$ 82,891	$ 2,788	$ 45,060	$ 3,058	$ 34,734	$ -

	Totals	
	Principal	Interest
2008	$ 98,155	$ 23,805
2009	78,051	19,919
2010	38,587	17,533
2011	32,956	16,414
2012	26,897	15,497
2013-2017	114,851	62,390
2018-2022	144,463	32,780
2023-2026	47,175	3,127
Totals	$ 581,135	$191,465

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

NOTE 15 - CAPITAL LEASE OBLIGATIONS

During fiscal year 2007 the County entered into an agreement to lease a two 2008 Ford Crown Victorias for the Sheriff's Office. The leases meet the criteria of capital leases as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. The County 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 2007 were $62,456 and $4,865, 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, 2007 are as follows:

Fiscal Year	Capital Leases
2008	$ 41,404
2009	27,300
Total minimum lease payments	$ 68,704
Less: amount representing interest	5,906
Present value of minimum lease payments	$ 62,798

NOTE 16 - INTERFUND TRANSACTIONS

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

Fund Type/Fund	Due From Other Funds	Due To Other Funds
General Fund	$ 14,167	$ -
Major Special Revenue Funds:		
Motor Vehicle and Gas Tax	2,534	-
Mentally Retarded and Developmentally Disabled	-	1,849
Human Services	-	88,907
Total Major Funds	16,701	90,756
Non-Major Special Revenue Funds		
Hocking County DHS/CSEA	-	2,143
Children Service's	96,271	-
Family & Children First	-	4,303
Felony Delinquent Care	-	4,500
Senior Citizens	-	685
Lodging Tax	-	10,585
Total Non-Major Special Revenue Funds	96,271	22,216
Total Governmental Funds	112,972	112,972
Total All Funds	**$ 112,972**	**$ 112,972**

NOTE 16 - INTERFUND TRANSACTIONS - Continued

Transfers In and Out

Fund Type/Fund	Transfers In	Transfers Out
Major Funds		
General Fund	$ -	$ 785,252
Human Services Fund	137,819	70,633
Mental Retardation Fund	-	185,000
Total Major Funds	137,819	1,040,885
Other Governmental Funds		
Non-Major Special Revenue Funds		
Sick/Vacation Reserve Fund	25,000	-
Certificate of Title Fund	-	-
Children's Services Fund	250,000	14,741
VOCA Grant 96 Fund	11,498	-
Justice Assistance Grant Fund	2,009	-
Hocking County Emergency Management Fund	21,218	-
FEMA Auto Gas Fund	-	-
Delinquent Real Estate Tax and Assessments Fund	-	97,973
Prosecutor Delinquent Real Estate Tax and Assessments Fund	97,973	-
Total Non-Major Special Revenue Funds	407,698	112,714
Non-Major Capital Projects Funds		
County Permanent Improvement Fund	317,000	-
MR/DD Permanent Improvement Fund	185,000	-
Total Non-Major Capital Projects Funds	502,000	-
Non-Major Debt Service Fund		
Childrens Services Building Bond Retirement Fund	14,741	-
General Obligation Debt Fund	20,708	-
Human Services Building Bond Retirement	70,633	-
Total Non-Major Debt Service Fund	106,082	-
Total Other Governmental Funds	1,015,780	112,714
Total All Funds	$ 1,153,599	$ 1,153,599

During the year the County provided transfers from the General Fund to the above funds to subsidize them in accordance with the funds' needs or to provide resources to make debt service payments. The transfer from the Human Services Fund to the Human Services Building Bond Retirement Fund is to provide monies for the debt service payments. The transfer from the Mental Retardation Fund to the MR/DD Permanent Improvement Fund is to provide monies for MR/DD capital improvements. The transfer from the Children's Services Fund to the Children's Services Building Bond Retirement Fund is to provide monies for the debt service payments. The transfer from the Delinquent Real Estate Tax and Assessments (DRETAC) Fund to the Prosecutor's Delinquent Real Estate Tax and Assessments Fund was to establish (per the Prosecuting Attorney's request) a separate fund from the Treasurer's DRETAC Fund.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

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

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

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

Athens/Hocking Joint Solid Waste Management District

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

Buckeye Joint-County Self Insurance Council

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

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

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

NOTE 18 – JOINT VENTURE

Corrections Commission of Southeastern Ohio

The County is a participant with Athens, Morgan and Perry counties in the Corrections Commission of Southeastern Ohio (the Commission) which is a joint venture of the participating counties. The purpose of the Commission is to augment the county jail programs and facilities. The operation of the Commission allows for the humane and constitutional detention of persons who cannot be released to less restrictive alternatives. The participating Boards of County Commissioners established the Commission. The Commission is directed by the Sheriff of each participating county, the presiding Judge of the Court of Common Pleas of each participating county, and the current president of each participating Board of County Commissioners. Each county is obligated to provide financial support to this entity through per diem charges and assessments that are based on the number of beds contractually assigned to each county in proportion to the total number of beds of all participating counties. The County has an ongoing financial responsibility for this entity and, during 2007, contributed $527,574 toward the operating and capital costs of this facility. However the County has no explicit equity interest in the Commission. Complete financial statements of the joint venture can be obtained from the Corrections Commission of Southeastern Ohio, 16678 Wolfe Bennett Road, Nelsonville, Ohio 45764.

NOTE 19 – CONTINGENT LIABILITIES

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

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

NOTE 20 – 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.

***NOTE 20 - 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 $890,695 in 2007.

Net Patient Service Revenue and Patient Accounts Receivable - Normal billing rates for patient services less contractual adjustments are included in patient service revenue. Patient accounts receivable is adjusted for contractual allowances which are reported on the basis of preliminary estimates of the amounts to be received from third party payors. Final adjustments are recorded in the period such amounts are finally determined. In 2007, approximately 43% of the Hospital's total patient revenue was derived from Medicare payments while 8% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance payments and individual self-payments.

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

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

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

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

Deferred Financing Costs - Deferred financing costs consist primarily of underwriter fees and other costs related to the issuance of the bonds and are being amortized over the life of the bonds based on the straight-line method. Accumulated amortization as of December 31, 2007 was $56,939.

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.

Net Assets

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

NOTE 20 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

2. NET PATIENT SERVICE REVENUE

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

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

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

The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through 2005.

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

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge. Medicaid outpatient services are reimbursed based upon the lesser of the Hospital's charge or predetermined fee schedule amounts. Capital related expenditures are subject to annual cost report settlement. The Hospital's Medicaid cost reports have been settled by the Medicaid program through December 31, 2002.

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

Gross patient service revenue and the allowances to reconcile to net patient service revenue for the year ended December 31, 2007 is as follows:

	2007
Gross patient service revenues	$60,849,058
Less third-party allowances	28,078,551
Less bad debts	3,323,916
Net patient service revenue	$29,446,591

3. DEPOSITS AND INVESTMENTS

Deposits - At December 31, 2007, the carrying amount of the Hospital's bank deposits for all funds is $3,004,449 as compared to a bank balance of $3,101,487. The difference in carrying amounts and bank balances are caused by outstanding checks and deposits in-transit. Of the bank balances, at December 31, 2007 $129,288 is covered by Federal insurance programs and $2,972,199, is collateralized with securities held by the financial institution or by its trust department or agent but not in the Hospital's name.

NOTE 20 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

3. DEPOSITS AND INVESTMENTS - Continued

The Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

		Maturities	
	Carrying Amount	Less than 1 Year	1 - 5 Years
Agency bonds	$ 11,442	$ -	$ 11,442
Certificates of deposit	531,338	511,338	20,000
	$ 542,780	$ 511,338	$ 31,442

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

Credit risk – The Hospital may invest in United States obligations or any other obligation guaranteed by the United States; bonds, notes or any other obligations or securities issued by any federal government 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, 2007, the Hospital had 98% of its investments invested in certificates of deposit at local banks.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	12/31/2006	Additions	Retirements/ Transfers	12/31/2007
Land improvements	$ 562,007	$ 7,903	$ -	$ 569,910
Buildings and improvements	12,446,144	1,158,695	-	13,604,839
Equipment	12,706,751	3,735,695	-	16,442,446
Construction in process	-	85,462	-	85,462
Total capital assets	25,714,902	4,987,755	-	30,702,657
Less accumulated depreciation:				
Land improvements	(239,407)	(13,964)	-	(253,371)
Buildings and improvements	(5,049,037)	(379,780)	-	(5,428,817)
Equipment	(11,056,639)	(952,849)	-	(12,009,488)
Total accumulated depreciation	(16,345,083)	(1,346,593)	-	(17,691,676)
Capital assets, net	$ 9,369,819	$ 3,641,162	$ -	$ 13,010,981

Cost of equipment under capital lease	$ 3,610,093
Accumulated amortization	1,185,308
Net carrying amount	$ 2,424,785

Depreciation expense for the year ended December 31, 2007 totaled $1,375,950.

NOTE 20 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

5. MEDICARE AND MEDICAID THIRD-PARTY SETTLEMENTS

Reimbursement for Medicare and Medicaid patients is subject to audit and final settlements by the respective intermediaries. Final settlements have been reached with Medicare through 2005 and with Medicaid through 2002. The amounts reported in the financial statements represent the estimated settlements outstanding at December 31, 2007, which Hospital management believes will approximate final settlements after audit by the respective agencies.

6. ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Patient accounts receivable, accounts payable and accrued expenses reported as current liabilities at December 31, 2007 consisted of these amounts:

Patient Accounts Receivable	
Receivable from patients and their insurance carriers	$ 4,367,973
Receivable from Medicare	2,293,292
Receivable from Medicaid	1,465,922
Total patient accounts receivable	8,127,187
Less allowance for uncollectible accounts	3,917,868
Patient accounts receivable, net	$ 4,209,319

Accounts Payable and Accrued Expenses	
Payable to suppliers and vendors	$ 832,612
Accrued workers compensation	292,988
Patient refunds	63,308
	$ 1,188,908

Accrued Salaries, Wages and Employee Benefits	
Accrued salaries	$ 251,792
Sick pay	226,426
Vacation	781,178
Wthholdings and benefit accruals	537,786
	$ 1,797,182

7. LONG-TERM DEBT AND LEASES

The Hospital has the following debt outstanding at December 31, 2007:

- 1993 County Hospital Refunding and Improvement Bonds, Term Bonds, 5.35% due December 1, 2009, mandatory annual redemption beginning December 1, 2004, in installments ranging from $195,000 to $235,000 plus interest.

- 1993 County Hospital Refunding and Improvement Bonds, Term Bonds, 5.45% due December 1, 2013, mandatory annual redemption beginning December 1, 2009, in installments ranging from $50,000 to $65,000 plus interest.

- 1999 County Hospital Improvement Bonds, Serial Bonds, rates ranging from 3.3% to 4.65%, principal due each December 1 through 2013, ranging from $90,000 to $145,000 with interest due each June 1 and December 1.

- 1999 County Hospital Improvement Bonds, Term Bonds, 4.75% due December 1, 2019, mandatory annual redemption beginning December 1, 2014, in installments ranging from $150,000 to $185,000 plus interest.

NOTE 20 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

7. LONG-TERM DEBT AND LEASES - Continued

- Note payable, bi-annual payments of $14,250 due and payable each June and December through 2009. Collateralized by related building.

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

	12/31/2006	Additions	Payments	12/31/2007	Amount due within 1 year
1993 bonds, issued July 1, 1993	$ 750,000	$ -	$ 225,000	$ 525,000	$ 235,000
1999 bonds, issued March 1, 1999	1,925,000	-	115,000	1,810,000	115,000
Bond discount	(47,579)	-	(4,770)	(42,809)	(4,770)
Note payable, December 2003	171,000	-	28,500	142,500	28,500
Note payable, March 2005	171,365	-	43,996	127,369	51,433
Capital Leases	270,697	2,651,636	432,132	2,490,201	558,318
	$ 3,240,483	$ 2,651,636	$ 839,858	$ 5,052,261	$ 983,481

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

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

Minimum payments on these obligations to maturity as of December 31, 2007 follows:

	Long-Term Debt		Capital Lease Obligations	
December 31,	Principal	Interest	Principal	Interest
2008	$ 425,163	$ 117,395	$ 558,318	$ 188,114
2009	247,250	97,067	633,326	155,731
2010	231,147	86,792	363,019	84,398
2011	218,730	78,028	376,469	56,914
2012	223,730	68,683	559,069	17,333
Thereafter	1,216,040	236,148	-	-
	$ 2,562,060	$ 684,113	$ 2,490,201	$ 502,490

NOTE 20 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – Continued

8. LINE OF CREDIT

As of December 31, 2007, the Hospital has a $1,000,000 line of credit with a bank. The balance on the line of credit was $477,000 as of December 31, 2007. Interest on the line of credit is at prime minus 2.25% which at December 31, 2007 was approximately 5.25%. The loan is secured by accounts receivable with a net book value of $4,209,319. Activity on the line of credit is as follows:

	12/31/2006	Borrowings	Payments	12/31/2007
Line of Credit	$ -	$ 477,000	$ -	$ 477,000

9. PENSION PLAN

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

Funding Policy - The required, actuarially-determined contribution rates for the Hospital and employee are 13.85% and 9.5%, respectively. The Hospital's contributions, representing 100% of employer contributions, for the last three years are as follows:

Year	Contribution
2007	$1,686,225
2006	1,458,752
2005	1,314,267

OPERS also provides post-retirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients is available. The healthcare coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB). A portion of each employer's contribution to OPERS is set aside for the funding of post-employment healthcare. The Ohio Revised Code provides statutory authority for employer contributions. The portion of the 2007 employer contribution rates of 13.85% used to fund healthcare was 5% for the period January 1 through June 30 and 6% for the period July 1 through December 31. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement healthcare through their contributions to OPERS.

The assumptions and amounts below are based on OPERS' latest actuarial review performed as of December 31, 2006. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment return assumption rate for 2006 was 6.5%. An annual increase of 4% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from .5% to 6.3%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 5% 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 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 369,214.

Hospital contributions made to fund post-employment benefits approximated $673,000 for 2007.

The actuarial value of OPERS net assets available for OPEB at December 31, 2006 was $12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability for OPEB, based on the actuarial cost method was $30.7 billion and $18.7 billion, respectively.

NOTE 20 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – Continued

9. PENSION PLAN – Continued

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

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

10. PROFESSIONAL LIABILITY INSURANCE

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

11. DEFERRED COMPENSATION

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

12. RELATED PARTIES

The Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation) was organized as a separate not-for-profit membership corporation. The purpose of the Foundation is to solicit gifts for the benefit of the Hospital. The Board of Directors of the Foundation is elected by the Foundation's members. The 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, 2007 the sole shareholder of HVMG has entered an agreement with the Foundation and HVMG that states the shares of HVMG will be voted as directed by the Foundation. The accompanying financial statements do not include the assets, obligations, revenues or expenses of HVMG.

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:

2008	$ 56,306
Total minimum lease payments	$ 56,306

NOTE 20 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL – Continued

13. PRIOR PERIOD ADJUSTMENTS

During the year ended December 31, 2007, the Hospital discovered an error of $1,585,743 in the valuation calculation for patient accounts receivable as of December 31, 2006. The Hospital also discovered an error of $862,325 for settlement amounts due to Medicare. Additional, the Hospital discovered an error in the recording of old accounts receivable credit balances of $156,500. During the year ended December 31, 2007, the Hospital corrected these errors by reducing beginning unrestricted net assets at December 31, 2006 by $2,291,567 and correspondingly reducing accounts receivable by $1,429,242 and increasing estimated third party settlement liability by $862,325. The impact on the results of operations for prior years was not determined.

NOTE 21 - 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, 2007 was $6,699.35.

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, 2007 was $118.60.

3. TAX STATUS

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

4. LEASES

The Agency is leasing its premises from Hocking County Board of Mental Retardation and Developmental Disabilities (169 Board). Effective for the year period July 1, 2006 through June 30, 2007, no dollar amounts were specified. Lease expense (rent) for the year ended December 31, 2007 was $7,650.

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC. - Continued

5. IN-KIND CONTRIBUTIONS

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

6. NOTE PAYABLE

During 2006, the agency purchased a John Deere tractor and mower from Deere & Company for $10,100 for 36 months at zero percent interest. The balance was $4,054.20 at December 31, 2007. Payments are $253.39 per month. At December 31, 2007 there were 16 payments remaining.

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

2008	$ 3,040.68
2009	1,013.52
Total	$ 4,054.20

Hocking County Financial Condition
Hocking County

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Housing & Urban Development			
Passed through the Ohio Department of Development			
Community Development Block Grants/State's Program	B-C-05-034-1	14.228	$55,280
Community Development Block Grants/State's Program	B-F-06-034-1		87,052
Community Development Block Grants/State's Program	B-F-05-034-1		67,109
			209,441
Home Investment Partnerships Program	B-C-05-034-2	14.239	107,430
Total U.S. Department of Housing & Urban Development			**316,871**
U.S. Department of Justice			
Passed through the Ohio Office of the Attorney General			
Crime Victim Assistance	N/A	16.575	24,825
Passed through the Ohio Office of Criminal Justice Services			
Edward Byrne Justice Assistance Grant Formula Program	JG-LLE-5121	16.738	10,800
Passed through the Ohio Department of Youth Services			
Juvenile Justice and Delinquency Prevention Allocation to States	JJ-DA1-0120	16.540	44,289
Total U.S. Department of Justice			**79,914**
U.S. Department of Labor			
Passed through the Local Area Agency, the Vinton County Department of Job & Family Services			
Workforce Investment Act Cluster:			
WIA Adult Program	N/A	17.258	127,678
WIA Youth Activities	N/A	17.259	171,353
WIA Dislocated Workers	N/A	17.260	96,736
Total Workforce Initiative Allocation Cluster:			395,767
Total U.S. Department of Labor			**$395,767**

Hocking County Financial Condition
Hocking County

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Health & Human Services			
Passed through the Ohio Department of MRDD			
Social Services Block Grant- Title XX	N/A	93.667	15,724
Medical Assistance Program			
Targeted Case Management	N/A	93.778	9,170
Waiver Administration	N/A	93.778	147,592
Total Medical Assistance Program			156,762
Passed through the Area Agency on Aging			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	N/A	93.044	59,592
Passed through the Ohio Secretary of State			
Voting Access for Individuals with Disabilities - Grants to States	N/A	93.617	2,553
Total U.S. Department of Health & Human Services			**234,631**
U.S. Department of Homeland Security			
Passed through the Ohio Department of Public Safety- Emergency Management Agency			
Emergency Management Performance Grants	EM-E7-0024	97.042	8,814
Homeland Security Grant Program	GE-T7-0030	97.067	3,940
State Homeland Security Program	GE-T6-0051	97.073	28,780
Total U.S. Department of Homeland Security			**41,534**
Total Federal Awards Expenditures			**$1,068,717**

N/A- Pass through entity number not available

See accompanying notes to the Schedule of Federal Awards Expenditures

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the County's federal award 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 are 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, 2007, the total amount of loans outstanding was $537,657.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hocking County Financial Condition, Hocking County, Ohio (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 27, 2008 wherein we noted the County implemented Governmental Accounting Standards Board (GASB) Statement No. 48. We did not audit the financial statements of the County's discretely presented component units, Hocking Valley Industries, Inc. and the Hocking Valley Community Hospital. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for Hocking Valley Industries, Inc. and Hocking Valley Community Hospital, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but, not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned cost to be significant deficiencies in internal control over financial reporting. These items have been identified in the accompanying schedule of findings and questioned costs as items 2007-001, 2007-002, 2007-003, 2007-004, and 2007-005.

Internal Control over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above, is a material weakness.

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 did note certain noncompliance or other matters that we reported to the Government's management in a separate letter dated June 27, 2008.

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

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
June 27, 2008

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Hocking County, Ohio, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain 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 of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 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 and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
June 27, 2008

Hocking County Financial Condition
Hocking County

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED DECEMBER 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number 2007-001

Significant Deficiency – Segregation of Duties

Segregation of duties is essential to ensuring proper checks and balances in a sound internal control environment. Someone other than the person who is responsible for receipting money should prepare the pay-in to the County Auditor's office. The same individual who receipted in monies at the Senior Center was prepared the pay-in to the County Auditor's office.

To ensure adequate segregation of duties, the Senior Center should have an individual other than the person receipting in monies prepare the pay-in to the County Auditor's office.

Client Response:

Checks and cash taken into the Center office will be counted and verified by two of three people. One will receipt in the money and another will prepare the deposit to the County, (Director, Manger of Programs, Fiscal Clerk). This will be reflected in their office policies.

Finding Number 2007-002

Significant Deficiency – Gift Card Usage

Expenditures made by a government should serve a proper public purpose and be accurately accounted for. The Senior Center purchased multiple gift cards throughout the audit period and utilized them for awards, prizes, payments for services and bonuses to employees. There were not adequate monitoring controls procedures in place to track the gift card purchases or usages. This could allow for improper public purchases and misappropriation of assets. The Senior Center should discontinue the use of all gift cards.

Client Response:

Gift cards are no longer used as any part of their daily business. Previously issued gift cards, in 2007, were used to purchase legitimate Senior Center supplies and are now exhausted during 2007.

Finding Number 2007-003

Significant Deficiency – Miscellaneous Cash

Miscellaneous cash transactions should be accounted for in the petty cash log and properly deposited with the County Auditor's office. The Senior Center collected cash and checks without preparing duplicate receipts or recording in the petty cash log. Many of these checks were collected for payment for trips that the seniors take throughout the year and held until these trips occurred. None of these monies were deposited with the Auditor's office. The Senior Center should properly account for all miscellaneous receipts by issuing a duplicate receipt and timely pay them into the County Auditor's office. In the case of small cash receipts, the Senior Center should follow proper petty cash procedures. Proper documentation should exist to support all petty cash transactions and money should be deposited regularly with the County Auditor's office.

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

Finding Number 2007-003 (Continued)

Client Response:

The only money held on site at the center is $100.00 and it is used specifically for making change at Senior Center events. No purchases are made from these monies. This is disclosed within their Senior Center policy.

Finding Number 2007-004

Significant Deficiency – Modified Time Sheets

Employees hired by the County for specific services should only perform those services unless other services are approved the County Commissioners. It was noted that time sheets for a hired van driver, at the Senior Center, were modified to include hours spent repairing rooms. The hours were adjusted over a period of time as to not exceed the maximum amount of hours that the employee was permitted to work by the County Commissioners. The Senior Center Director should only approve timesheets for time spent on activities for which the County Commissioners hired the individual to perform. Payment for other services should only be approved by the County Commissioners.

Client Response:

Van drivers are hired and paid for driving Senior Center vehicles only. Any other compensation would be handled and paid separately from payroll.

Finding Number 2007-005

Significant Deficiency – Credit Cards

Credit card invoices should always have detailed supporting documentation attached to ensure that all credit card transactions are for a proper public purpose. Credit card invoices were paid for the EMS department and Senior Center although adequate supporting documentation for individual purchases did not exist.

The EMS department and Senior Center should ensure that supporting documentation for each individual transaction on its credit card invoices are attached to the invoices prior to submission for payment. Furthermore, the County Auditor should refuse payment for such purchases for which adequate supporting documentation has not been provided.

Client Response:
Senior Center credit card was canceled during 2007 after an internal investigation. The audit firm has a copy of that report. The Center has no credit cards open at this time.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2007

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

Hocking County Financial Condition
Hocking County

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; **Explain**
2006-001	Noncompliance Citation: Ohio Revised Code Section 5705.36(A)(2) appropriations exceeding available resources.	Yes	

Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

HOCKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 7, 2008

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