Financial Condition
Hocking County
For the Year Ended December 31, 2018

CERTIFIED PUBLIC ACCOUNTANT
Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the Hocking County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2018 through December 31, 2018. 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. The Hocking County is responsible for compliance with these laws and regulations.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

December 3, 2019

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For the Year Ended December 31, 2018

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hocking County, Ohio (the County), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Millhuff-Stang, CPA, Inc.
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45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

Opinions

In our opinion, based on our audit and the report of another auditor, 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 unit, each major fund, and the aggregate remaining fund information of Hocking County, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Motor Vehicle Gas Tax Fund, Board of Developmental Disabilities Fund, and Emergency Medical Services Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – New Accounting Guidance

As discussed in Notes 19 and 22.3 to the financial statements, during fiscal year 2018, the County and the Hocking Valley Community Hospital adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The 2018 financial statements have been restated due to this implementation. We did not modify our opinion nor was the opinion of the other auditor modified regarding this matter.

Emphasis-of-Matter – Going Concern

The financial statements of the Hocking Valley Community Hospital have been prepared assuming that the Hospital will continue as a going concern. As discussed in Note 22.18 to the financial statements, the Hospital has suffered recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters also are described in Note 22.18. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The opinion of the other auditor was not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the schedule of the County's proportionate share of the net pension and OPEB liabilities, and the schedule of County contributions on pages 90 through 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Federal Award Expenditures (the Schedule) as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2019 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

August 21, 2019

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, 2018. 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 2018 are as follows:

Overall:

Total net position decreased $888,022 primarily due to governmental activities changes.

Total revenue was $25,814,073 in 2018.

Total program expenses were $26,962,300 in 2018.

Governmental Activities:

Total revenue was $25,220,469 in 2018, while program expenses were $26,721,655.

Program expenses were primarily composed of health, public works, public safety, legislative and executive, judicial, and human services, where expenses were $6,258,620, $4,627,501, $6,397,484, $3,843,203, $3,244,591, and $1,606,318, respectively, in 2018.

Business-Type Activities:

Program revenues were $587,520 for business-type activities, while corresponding expenses were $240,645.

Using these Basic Financial Statements

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

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

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include *all assets, liabilities, and deferred inflows and outflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the County's *net position* and changes in net position. This change in net position is important because it tells the reader, for the County as a whole, whether the *financial position* of the County has improved. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required or mandated programs and other factors.

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

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

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

- Component Units – The Hocking Valley Community Hospital is reported as a component unit of the County as more fully described in Note 1 to the basic financial statements.

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

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

The County as a Whole

Recall that the statement of net position provides the perspective of the County as a whole. Table 1 provides a summary of the County's net position for 2018 compared to the prior year:

Table 1

Net Position

	Governmental Activities		Business-Type Activities		Totals	
Assets	2018	2017*	2018	2017*	2018	2017*
Current & Other Assets	$ 22,509,391	$ 23,198,269	$ 376,313	$ 236,192	$ 22,885,704	$ 23,434,461
Capital Assets, Net	30,203,182	29,484,885	1,299,641	1,022,105	31,502,823	30,506,990
Total Assets	52,712,573	52,683,154	1,675,954	1,258,297	54,388,527	53,941,451
Deferred Outflows of Resources						
Pensions	2,938,163	6,611,099	24,687	22,896	2,962,850	6,633,995
OPEB	599,871	99,910	9,287	58	609,158	99,968
Total Deferred Outflows	3,538,034	6,711,009	33,974	22,954	3,572,008	6,733,963
Liabilities						
Current and Other Liabilities	855,616	1,799,887	108,498	21,317	964,114	1,821,204
Non-Current Liabilities:						
Due within One Year	498,641	500,222	23,859	15,205	522,500	515,427
Due in More than One Year:						
Net Pension Liability	11,629,513	16,758,424	56,994	59,376	11,686,507	16,817,800
Net OPEB Liability	7,733,728	7,247,210	38,247	36,145	7,771,975	7,283,355
Other Amounts	1,366,235	1,359,231	406,914	448,995	1,773,149	1,808,226
Total Liabilities	22,083,733	27,664,974	634,512	581,038	22,718,245	28,246,012
Deferred Inflows of Resources						
Taxes	6,925,246	6,502,431	-	-	6,925,246	6,502,431
Pensions	2,774,056	168,437	19,747	352	2,793,803	168,789
OPEB	650,232	-	2,849	-	653,081	-
Total Deferred Inflows of Resources	10,349,534	6,670,868	22,596	352	10,372,130	6,671,220
Net Position						
Net Investment in Capital Assets	29,058,583	27,377,087	784,660	545,888	29,843,243	27,922,975
Restricted	10,995,476	10,903,243	-	-	10,995,476	10,903,243
Unrestricted (Deficit)	(16,236,719)	(13,222,009)	268,160	153,973	(15,968,559)	(13,068,036)
Total Net Position	$ 23,817,340	$ 25,058,321	$ 1,052,820	$ 699,861	$ 24,870,160	$ 25,758,182

* As restated due to GASB 75, see Note 19 additional information.

Total governmental activities assets increased by $29,419. The increase in total assets is primarily due to increases in capital assets, which was partially offset by decreases in intergovernmental receivable. Capital assets in the governmental activities increased $718,297 from 2017 to 2018, due to additions which were partially offset by current year depreciation and disposals. Total assets in the business-type activities increased $417,657 from 2017 to 2018, primarily due to capital asset additions which were partially offset by depreciation expense. Current and Other Liabilities decreased due to contracts payable related to the Hall of Justice construction in 2017. Deferred outflows of resources decreased due to decreases in the deferred outflow related to pension and OPEB. Total non-current liabilities decreased mostly due to decreases in the net pension and OPEB liabilities, and payments on long-term debt. Deferred inflows of resources increased due to an increase to deferred inflows of resources related to pensions and OPEB.

Table 2 shows the changes in net position for fiscal year 2018 and 2017.

Table 2
Changes in Net Position

	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues:						
Charges for Services and Sales	$ 4,130,160	$ 248,959	$ 4,379,119	$ 3,469,043	$ 165,953	$ 3,634,996
Operating Grants and Contributions	7,097,418	-	7,097,418	7,213,004	7,188	7,220,192
Capital Grants and Contributions	727,762	338,561	1,066,323	649,748	7,613	657,361
Total Program Revenues	11,955,340	587,520	12,542,860	11,331,795	180,754	11,512,549
General Revenues:						
Property Taxes	6,142,361	-	6,142,361	5,660,323	-	5,660,323
Sales Taxes	4,958,296	-	4,958,296	4,445,130	-	4,445,130
Grants and Entitlements	1,570,066	-	1,570,066	2,594,648	-	2,594,648
Other Taxes	-	-	-	-	-	-
Interest Earnings	208,004	-	208,004	133,719	-	133,719
Gain on Sale of Capital Assets	51,589	-	51,589	16,006	-	16,006
Miscellaneous	334,813	6,084	340,897	187,217	-	187,217
Total General Revenues	13,265,129	6,084	13,271,213	13,037,043	-	13,037,043
Total Revenues	25,220,469	593,604	25,814,073	24,368,838	180,754	24,549,592
Program Expenses						
General Government:						
Legislative and Executive	3,843,203	-	3,843,203	2,863,807	-	2,863,807
Judicial	3,244,591	-	3,244,591	2,892,886	-	2,892,886
Public Safety	6,397,484	-	6,397,484	6,057,553	-	6,057,553
Public Works	4,627,501	-	4,627,501	4,081,015	-	4,081,015
Health	6,258,620	-	6,258,620	6,581,705	-	6,581,705
Human Services	1,606,318	-	1,606,318	1,544,041	-	1,544,041
Economic Development and Assistance	439,125	-	439,125	692,604	-	692,604
Conservation and Recreation	239,656	-	239,656	246,231	-	246,231
Interest and Fiscal Charges	65,157	-	65,157	48,601	-	48,601
Wastewater Treatment	-	240,645	240,645	-	198,537	198,537
Total Expenses	26,721,655	240,645	26,962,300	25,008,443	198,537	25,206,980
Special Items						
Settlement for Road Damages	1,535,208	-	1,535,208	-	-	-
Remittances to Townships for Damage	(1,275,003)	-	(1,275,003)	-	-	-
Total Special Items	260,205	-	260,205	-	-	-
Change in Net Position	(1,240,981)	352,959	(888,022)	(639,605)	(17,783)	(657,388)
Net Position - Beginning of Year - As Restated	25,058,321	699,861	25,758,182	N/A	N/A	N/A
Net Position - End of Year	$ 23,817,340	$ 1,052,820	$ 24,870,160	$ 25,058,321	$ 699,861	$ 25,758,182

Governmental Activities

Governmental net position decreased $1,240,981 from 2017 to 2018. Total governmental activities revenues increased $851,631 due primarily to an increase in charges for services revenue due to the increase in services provided by emergency medical services as well as real estate assessment fees, Operating grants decreased primarily due to decreases in the Community Development Block grants.

Total governmental activities expenses increased $1,713,212 primarily due to increases in public works expenses ($546,486) and legislative and executive expenses ($979,396).

The County receives diverse types of revenues to provide for the vast number of programs provided by the County. Operating grants and contributions provide 28% of total revenues for governmental activities. Property taxes and sales taxes provide 24% and 20% of total revenues for governmental activities, respectively.

Health, public works, public safety, and general government legislative and executive comprise 23%, 17%, 24% and 14%, respectively, of total expenses for governmental activities.

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

Table 3
Total Cost of Program Services
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
General Government - Legislative and Executive	$ 3,843,203	$ 2,863,807	$ 2,793,861	$ 1,918,323
General Government - Judicial	3,244,591	2,892,886	1,881,727	1,721,631
Public Safety	6,397,484	6,057,553	4,161,011	4,445,216
Public Works	4,627,501	4,081,015	157,986	(193,379)
Health	6,258,620	6,581,705	4,235,113	4,367,638
Human Services	1,606,318	1,544,041	1,296,540	1,179,829
Economic Development and Assistance	439,125	692,604	46,550	55,012
Conservation and Recreation	239,656	246,231	205,656	211,063
Interest and Fiscal Charges	65,157	48,601	(12,129)	(28,685)
Total Expenses	$ 26,721,655	$ 25,008,443	$ 14,766,315	$ 13,676,648

45% of governmental activities are supported through program revenues.

Business-Type Activities

Business-type activities include wastewater treatment.

For business-type activities, charges for services and sales increased $83,006, operating grants and contributions decreased $7,188, while capital grants and contributions increased $330,948, and wastewater treatment expenses increased $42,108, resulting in an increase in net position of $352,959. Charges for services and sales accounted for 42% of total revenues of $593,604.

The County's Funds

Information about the County's major governmental funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of $26,240,009 and expenditures and other uses of $26,738,398. The net change in fund balance for the year was most significant in the General Fund which experienced a decrease in fund balance of $448,215 primarily due to a decrease in intergovernmental revenue.

The Motor Vehicle Gas Tax Fund experienced a decrease in fund balance of $35,041 primarily due to an increase in public works expenditures.

The Board of Developmental Disabilities Fund experienced an increase in fund balance of $62,680 due to revenues exceeding disbursements.

The Emergency Medical Services Fund experienced a decrease in fund balance of $421,575 due to revenues exceeding expenditures.

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 2018 the County amended its General Fund budget numerous times, none significant.

For the General Fund, budget basis actual revenue and other financing sources were $10,452,973, above final budget estimates of $8,514,129. Of this difference, tax revenues made the majority of this difference.

Budget basis actual expenditures and other financing uses were $9,956,077, below final budget estimates of $10,114,614 which resulted in a $158,537 difference. Of this difference, legislative and executive made the majority of the difference. Total actual revenues and other financing sources on the budget basis were $496,896 above expenditures and other financing uses.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2018 the County had $31,502,823 (net of accumulated depreciation) invested in construction in progress, land, land improvements, buildings, machinery and equipment, vehicles, infrastructure, a wastewater treatment plant and collection system; $30,203,182 in governmental activities. Additional information regarding capital assets is shown in Note 7 to the basic financial statements. Tables 4.1 and 4.2 show fiscal 2018 and 2017 balances by governmental activities and business-type activities:

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

	2018	2017
Land	$ 813,212	$ 928,080
Construction in Progress	-	508,392
Land Improvements	137,579	131,772
Buildings	5,168,580	4,261,930
Machinery and Equipment	2,745,966	2,534,957
Vehicles	2,265,892	2,568,071
Infrastructure	19,071,953	18,551,683
Total	$ 30,203,182	$ 29,484,885

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

	2018	2017
Land	$ 29,000	$ 29,000
Construction in Progress	393,700	80,961
Wastewater Treatment Plant	-	11,715
Vehicle	23,067	-
Collection System	853,874	900,429
Total	$ 1,299,641	$ 1,022,105

Debt

At December 31, 2018 the County had $801,996 in governmental activities long-term loans and notes, $343,368 due within one year. At December 31, 2018, the County had $405,432 in business-type activity bonds and loans, $15,200 due within one year.

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

Table 5
Outstanding Debt At December 31
Governmental Activities

	2018	2017
Long Term Notes/Loans	$ 801,996	$ 965,303
Total	$ 801,996	$ 965,303

Table 6
Outstanding Debt At December 31
Business-Type Activities

	2018	2017
OWDA Loan	$ 38,932	$ 76,240
Revenue Bonds	366,500	381,000
Total	$ 405,432	$ 457,240

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

Current Financial Related Activities

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

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

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

Contacting the County's Financial Management

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

Hocking County

Statement of Net Position

As of December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	**Business-Type Activities**	**Total**	**Hospital**
Assets				
Equity in Pooled Cash and Cash Equivalents	$ 11,043,757	$ 232,292	$ 11,276,049	$ -
Cash, Cash Equivalents and Investments in Segregated Accounts	-	-	-	2,059,023
Receivables:				
Taxes	8,021,903	-	8,021,903	-
Accounts, Net	85,840	55,447	141,287	6,006,586
Interest	8,994	-	8,994	-
Intergovernmental	2,752,783	88,574	2,841,357	-
Materials and Supplies Inventory	596,114	-	596,114	360,564
Prepaid Items	-	-	-	891,793
Deposits	-	-	-	-
Restricted Cash and Cash Equivalents and Investments in Segregated Accounts	-	-	-	276,408
Net Pension Asset	-	-	-	108,650
Nondepreciable Capital Assets	813,212	422,700	1,235,912	1,066,689
Depreciable Capital Assets, Net	29,389,970	876,941	30,266,911	14,401,160
Total Assets	52,712,573	1,675,954	54,388,527	25,170,873
Deferred Outflows of Resources				
Pensions	2,938,163	24,687	2,962,850	3,511,925
OPEB	599,871	9,287	609,158	713,782
Total Deferred Outflows of Resources	3,538,034	33,974	3,572,008	4,225,707
Liabilities				
Accounts Payable	287,561	14,302	301,863	4,770,352
Accrued Wages and Benefits Payable	190,204	701	190,905	518,290
Contracts Payable	217,833	92,964	310,797	-
Intergovernmental Payable	160,018	531	160,549	-
Self Insurance Liability	-	-	-	579,861
Line-of-Credit	-	-	-	585,000
Unearned Revenue	-	-	-	137,969
Long-term Liabilities:				
Due Within One Year	498,641	23,859	522,500	2,603,122
Due in More Than One Year:				
Net Pension Liability (See Note 10)	11,629,513	56,994	11,686,507	14,315,199
Net OPEB Liability (See Note 11)	7,733,728	38,247	7,771,975	9,699,494
Other Amounts Due in More than One Year	1,366,235	406,914	1,773,149	4,668,170
Total Liabilities	22,083,733	634,512	22,718,245	37,877,457
Deferred Inflows of Resources				
Property Taxes Not Levied to Finance Current Year Operations	6,925,246	-	6,925,246	-
Pensions	2,774,056	19,747	2,793,803	3,502,659
OPEB	650,232	2,849	653,081	732,085
Total Deferred Inflows of Resources	10,349,534	22,596	10,372,130	4,234,744
Net Position				
Net Investment in Capital Assets	29,058,583	784,660	29,843,243	7,682,298
Restricted for:				
Debt Service	106,500	-	106,500	-
Capital Projects	396,711	-	396,711	-
Hocking County 911	1,347,689	-	1,347,689	-
Senior Citizens	348,259	-	348,259	-
Motor Vehicle Gas Tax	3,597,492	-	3,597,492	-
Family and Children First	367,777	-	367,777	-
Board of Developmental Disabilities	571,040	-	571,040	-
Emergency Medical Services	782,260	-	782,260	-
Real Estate Assessment	755,739	-	755,739	-
Municipal Court Special Projects	148,150	-	148,150	-
Wireless 911	427,253	-	427,253	-
Other Purposes	2,146,606	-	2,146,606	276,408
Unrestricted (Deficit)	(16,236,719)	268,160	(15,968,559)	(20,674,327)
Total Net Position	$ 23,817,340	$ 1,052,820	$ 24,870,160	$ (12,715,621)

See accompanying notes to the basic financial statements.

Hocking County
Statement of Activities
For the Year Ended December 31, 2018

		Program Revenues		
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental Activities				
General Government:				
Legislative and Executive	$ 3,843,203	$ 905,835	$ 143,507	$ -
Judicial	3,244,591	670,528	692,336	-
Public Safety	6,397,484	1,083,695	1,000,935	151,843
Public Works	4,627,501	264,250	3,629,346	575,919
Health	6,258,620	973,807	1,049,700	-
Human Services	1,606,318	118,156	191,622	-
Economic Development and Assistance	439,125	6,828	385,747	-
Conservation and Recreation	239,656	29,775	4,225	-
Interest and Fiscal Charges	65,157	77,286	-	-
Total Governmental Activities	26,721,655	4,130,160	7,097,418	727,762
Business-Type Activities				
Wastewater Treatment	240,645	248,959	-	338,561
Total Business-Type Activities	240,645	248,959	-	338,561
Total Primary Government	$ 26,962,300	$ 4,379,119	$ 7,097,418	$ 1,066,323
Component Unit				
Hospital	$ 39,682,111	$ 33,473,634	$ 732,989	$ -
Total Component Unit	$ 39,682,111	$ 33,473,634	$ 732,989	$ -

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
Gain on Sale of Capital Assets
Noncapital Grants and Contributions
Miscellaneous

Total General Revenues

Special Items
Settlement for Road Damages
Remittances to Townships for Damages
Total Special Items

Total General Revenues and Special Item

Change in Net Position

Net Position Beginning of Year - As Restated

Net Position End of Year

See accompanying notes to the basic financial statements.

continued

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-Type Activities	Total	Hospital
$ (2,793,861)	$ -	$ (2,793,861)	$ -
(1,881,727)	-	(1,881,727)	-
(4,161,011)	-	(4,161,011)	-
(157,986)	-	(157,986)	-
(4,235,113)	-	(4,235,113)	-
(1,296,540)	-	(1,296,540)	-
(46,550)	-	(46,550)	-
(205,656)	-	(205,656)	-
12,129	-	12,129	-
(14,766,315)	-	(14,766,315)	-
-	346,875	346,875	-
-	346,875	346,875	
(14,766,315)	346,875	(14,419,440)	
			(5,475,488)
			(5,475,488)
2,044,560	-	2,044,560	-
4,097,801	-	4,097,801	-
4,131,408	-	4,131,408	-
826,888	-	826,888	-
1,570,066	-	1,570,066	-
208,004	-	208,004	1,831
51,589	-	51,589	-
-	-	-	-
334,813	6,084	340,897	45,852
13,265,129	6,084	13,271,213	47,683
1,535,208	-	1,535,208	-
(1,275,003)	-	(1,275,003)	-
260,205	-	260,205	-
13,525,334	6,084	13,531,418	47,683
(1,240,981)	352,959	(888,022)	(5,427,805)
25,058,321	699,861	25,758,182	(7,287,816)
$ 23,817,340	$ 1,052,820	$ 24,870,160	$ (12,715,621)

Hocking County

Balance Sheet

Governmental Funds

As of December 31, 2018

	General	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	$ 2,066,255	$ 1,711,051	$ 492,681	$ 808,698	$ 5,965,072	$ 11,043,757
Receivables:						
Taxes	3,080,626	-	2,060,329	2,122,799	758,149	8,021,903
Accounts, Net	-	-	11,520	74,320	-	85,840
Accrued Interest	8,994	-	-	-	-	8,994
Intergovernmental	479,848	1,703,701	161,851	109,087	298,296	2,752,783
Interfund	890,668	-	-	-	-	890,668
Materials and Supplies Inventory	2,918	593,196	-	-	-	596,114
Total Assets	$ 6,529,309	$ 4,007,948	$ 2,726,381	$ 3,114,904	$ 7,021,517	$ 23,400,059
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts Payable	$ 49,879	$ 52,982	$ 31,794	$ 63,326	$ 89,580	$ 287,561
Contracts Payable	-	183,855	-	-	33,978	217,833
Accrued Wages and Benefits Payable	86,937	20,855	18,719	34,167	29,526	190,204
Intergovernmental Payable	76,512	15,560	13,053	24,717	30,176	160,018
Interfund Payable	-	-	-	-	890,668	890,668
Total Liabilities	213,328	273,252	63,566	122,210	1,073,928	1,746,284
Deferred Inflows of Resources						
Property Taxes Not Levied to Finance Current Year Operations	2,295,494	-	1,986,729	2,046,967	596,056	6,925,246
Unavailable Revenues - Delinquent Taxes	85,039	-	73,600	75,832	22,081	256,552
Unavailable Revenues - Grants	273,102	1,221,349	109,059	109,087	19,852	1,732,449
Total Deferred Inflows of Resources	2,653,635	1,221,349	2,169,388	2,231,886	637,989	8,914,247
Fund Balances						
Nonspendable	160,946	593,196	-	-	-	754,142
Restricted	-	1,920,151	493,427	760,808	6,183,339	9,357,725
Committed	9,193	-	-	-	-	9,193
Assigned	1,503,029	-	-	-	-	1,503,029
Unassigned (Deficit)	1,989,178	-	-	-	(873,739)	1,115,439
Total Fund Balances	3,662,346	2,513,347	493,427	760,808	5,309,600	12,739,528
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,529,309	$ 4,007,948	$ 2,726,381	$ 3,114,904	$ 7,021,517	$ 23,400,059

See accompanying notes to the basic financial statements.

Hocking County

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
As of December 31, 2018

Total Governmental Fund Balances		$	12,739,528
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			30,203,182
Certain receivables reported as revenues on the statement of activities are not available to pay for current period expenditures and therefore are reported as deferred inflows in the funds.			
Taxes	256,552		
Intergovernmental	1,732,449		
Total			1,989,001
The net pension/OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the funds.			
Deferred outflows of resources related to pensions	2,938,163		
Deferred outflows of resources related to OPEB	599,871		
Deferred inflows of resources related to pensions	(2,774,056)		
Deferred inflows of resources related to OPEB	(650,232)		
Net pension liability	(11,629,513)		
Net OPEB liability	(7,733,728)		
Total			(19,249,495)
Long-term liabilities, including notes, capital leases and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.			
Compensated Absences	(938,110)		
Long Term Notes	(801,996)		
Capital Lease Obligations	(124,770)		
Total			(1,864,876)
Net Position of Governmental Activities		$	23,817,340

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, 2018

	General	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 6,180,914	$ -	$ 1,725,734	$ 1,779,538	$ 1,427,975	$ 11,114,161
Intergovernmental	1,286,834	4,129,390	1,184,170	217,401	2,492,654	9,310,449
Charges for Services	1,310,753	215,845	40,462	833,223	1,074,712	3,474,995
Fees, Licenses and Permits	2,125	-	-	-	86,185	88,310
Fines and Forfeitures	109,916	16,022	-	-	440,917	566,855
Special Assessments	-	-	-	-	531	531
Interest	185,666	22,258	-	-	80	208,004
Miscellaneous	165,068	12,364	32,597	-	124,784	334,813
Total Revenues	9,241,276	4,395,879	2,982,963	2,830,162	5,647,838	25,098,118
Expenditures						
Current:						
General Government:						
Legislative and Executive	2,463,030	-	-	-	1,058,708	3,521,738
Judicial	2,185,811	-	-	-	754,342	2,940,153
Public Safety	3,612,791	-	-	-	1,461,374	5,074,165
Public Works	26,817	2,795,379	-	-	-	2,822,196
Health	57,122	-	2,918,973	2,675,415	92,653	5,744,163
Human Services	865,846	-	-	-	595,840	1,461,686
Conservation and Recreation	236,991	-	-	-	-	236,991
Economic Development and Assistance	54,221	-	-	-	384,778	438,999
Capital Outlay	267,367	1,920,561	-	441,638	756,540	3,386,106
Debt Service:						
Principal	119,241	155,424	1,291	127,367	247,077	650,400
Interest and Fiscal Charges	3,062	8,761	19	7,317	45,998	65,157
Total Expenditures	9,892,299	4,880,125	2,920,283	3,251,737	5,397,310	26,341,754
Excess of Revenues Over (Under) Expenditures	(651,023)	(484,246)	62,680	(421,575)	250,528	(1,243,636)
Other Financing Sources/(Uses)						
Issuance of OPWC Loans	-	49,000	-	-	-	49,000
Issuances of Notes	-	140,000	-	-	-	140,000
Issuance of OWDA Loans	-	-	-	-	177,561	177,561
Proceeds from Sale of Capital Assets	22,336	-	-	-	163,528	185,864
Inception of Capital Lease	192,822	-	-	-	-	192,822
Transfers In	-	-	-	-	396,644	396,644
Transfers Out	(12,350)	-	-	-	(384,294)	(396,644)
Total Other Financing Sources/(Uses)	202,808	189,000	-	-	353,439	745,247
Special Items:						
Settlement for Road Damages	-	1,535,208	-	-	-	1,535,208
Remittances to Townships for Damages	-	(1,275,003)	-	-	-	(1,275,003)
Total Special Items	-	260,205	-	-	-	260,205
Net Changes in Fund Balances	(448,215)	(35,041)	62,680	(421,575)	603,967	(238,184)
Fund Balances Beginning of Year	4,110,561	2,548,388	430,747	1,182,383	4,705,633	12,977,712
Fund Balances End of Year	$ 3,662,346	$ 2,513,347	$ 493,427	$ 760,808	$ 5,309,600	$ 12,739,528

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, 2018

Net Change in Fund Balances - Total Governmental Funds		$	(238,184)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period.			
Capital Asset Additions	3,386,106		
Current Year Depreciation	(2,454,348)		
Total			931,758
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. These are the amounts of the gain or loss on the disposal of capital assets and the proceeds received.			
Proceeds from Sale of Capital Assets	(185,864)		
Loss on Disposal of Capital Assets	(79,186)		
Gain on Sale of Capital Assets	51,589		
Total			(213,461)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Taxes	(14,035)		
Intergovernmental	85,327		
Special Assessments	(531)		
Total			70,761
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.			1,470,288
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.			(2,619,932)
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.			(636,788)
Proceeds from the issuance of long-term notes and loans in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.			(366,561)
Repayment of long term notes principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.			529,868
Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.			120,532
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.			(192,822)
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	(96,440)		
Total			(96,440)
Net Change in Net Position of Governmental Activities		$	(1,240,981)

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, 2018

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	$ 5,197,890	$ 5,197,890	$ 6,067,827	$ 869,937
Charges for Services	920,290	923,188	1,124,612	201,424
Fees, Licenses and Permits	1,250	1,250	2,125	875
Fines and Forfeitures	127,000	127,000	115,397	(11,603)
Intergovernmental	1,145,000	1,145,000	1,210,793	65,793
Interest	130,000	130,000	186,321	56,321
Other	19,764	24,442	152,641	128,199
Total Revenues	7,541,194	7,548,770	8,859,716	1,310,946
Expenditures				
Current:				
General Government:				
Legislative and Executive	2,148,850	2,381,993	2,311,594	70,399
Judicial	1,900,861	2,199,616	2,182,831	16,785
Public Safety	3,401,137	3,691,728	3,636,669	55,059
Public Works	27,612	28,893	26,469	2,424
Health	101,292	80,334	76,925	3,409
Human Services	671,319	915,177	891,762	23,415
Conservation and Recreation	220,652	238,342	236,991	1,351
Community and Economic Development	55,616	58,343	54,904	3,439
Capital Outlay	267,367	267,367	267,367	-
Debt Service:				
Principal Retirements	119,241	119,241	119,241	-
Interest	3,062	3,062	3,062	-
Total Expenditures	8,917,009	9,984,096	9,807,815	176,281
Excess of Revenues Under Expenditures	(1,375,815)	(2,435,326)	(948,099)	1,487,227
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	22,336	22,336	22,336	-
Inception of Capital Lease	192,822	192,822	192,822	-
Transfers In	-	701,201	1,234,814	533,613
Advances In	49,000	49,000	143,285	94,285
Transfers Out	(136,942)	(130,518)	(12,350)	118,168
Advances Out	-	-	(135,912)	(135,912)
Total Other Financing Sources (Uses)	127,216	834,841	1,444,995	610,154
Net Change in Fund Balance	(1,248,599)	(1,600,485)	496,896	2,097,381
Fund Balance at Beginning of Year	1,404,613	1,404,613	1,404,613	-
Prior Year Encumbrances Appropriated	165,637	165,637	165,637	-
Fund Balance at End of Year	$ 321,651	$ (30,235)	$ 2,067,146	$ 2,097,381

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 Gas Tax Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Charges for Services	$ 140,200	$ 258,662	$ 211,141	$ (47,521)
Fines and Forfeitures	20,800	20,800	13,856	(6,944)
Intergovernmental	3,752,000	3,818,170	3,626,812	(191,358)
Interest	3,000	3,000	21,659	18,659
Other	30,000	5,306	12,364	7,058
Total Revenues	3,946,000	4,105,938	3,885,832	(220,106)
Expenditures				
Current:				
Public Works	2,854,318	3,801,524	3,335,246	466,278
Capital Outlay	1,209,787	1,209,787	1,209,787	-
Debt Service:				
Principal Retirements	180,000	155,424	155,424	-
Interest and Fiscal Charges	-	8,761	8,761	-
Total Expenditures	4,244,105	5,175,496	4,709,218	466,278
Excess of Revenues Under Expenditures	(298,105)	(1,069,558)	(823,386)	246,172
Other Financing Sources:				
Issuance of OPWC Loans	49,000	49,000	49,000	-
Issuances of Notes	140,000	140,000	140,000	-
Total Other Financing Sources	189,000	189,000	189,000	-
Special Items:				
Settlement for Road Damages	-	1,535,208	1,535,208	-
Remittances to Townships for Damage	-	(1,275,003)	(1,275,003)	-
Total Special Items	-	260,205	260,205	-
Net Change in Fund Balance	(109,105)	(620,353)	(374,181)	246,172
Fund Balance at Beginning of Year	1,596,550	1,596,550	1,596,550	-
Prior Year Encumbrances Appropriated	109,105	109,105	109,105	-
Fund Balance at End of Year	$ 1,596,550	$ 1,085,302	$ 1,331,474	$ 246,172

See accompanying notes to the basic financial statements.

Hocking County

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
Board of Developmental Disabilities Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$ 1,598,338	$ 1,598,338	$ 1,725,734	$ 127,396
Charges for Services	45,150	45,150	43,361	(1,789)
Intergovernmental	1,032,227	1,032,227	1,172,181	139,954
Other	34,037	34,037	32,597	(1,440)
Total Revenues	2,709,752	2,709,752	2,973,873	264,121
Expenditures				
Current:				
Health	2,798,743	3,198,743	3,027,560	171,183
Debt Service:				
Principal Retirements	1,291	1,291	1,291	-
Interest & Fiscal Charges	19	19	19	-
Total Expenditures	2,800,053	3,200,053	3,028,870	171,183
Net Change in Fund Balance	(90,301)	(490,301)	(54,997)	435,304
Fund Balance at Beginning of Year	397,802	397,802	397,802	-
Prior Year Encumbrances Appropriated	80,231	80,231	80,231	-
Fund Balance at End of Year	$ 387,732	$ (12,268)	$ 423,036	$ 435,304

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, 2018

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$ 1,670,000	$ 1,670,000	$ 1,779,538	$ 109,538
Charges for Services	700,000	717,500	816,829	99,329
Intergovernmental	180,000	180,000	217,401	37,401
Total Revenues	2,550,000	2,567,500	2,813,768	246,268
Expenditures				
Current:				
Health	2,925,561	2,943,061	2,719,365	223,696
Capital Outlay	53,652	453,652	441,638	12,014
Debt Service:				
Principal Retirements	127,367	127,367	127,051	316
Interest & Fiscal Charges	7,633	7,633	7,633	-
	-			
Total Expenditures	3,114,213	3,531,713	3,295,687	236,026
Net Change in Fund Balance	(564,213)	(964,213)	(481,919)	482,294
Fund Balance at Beginning of Year	1,142,860	1,142,860	1,142,860	-
Prior Year Encumbrances Appropriated	61,114	61,114	61,114	-
Fund Balance at End of Year	$ 639,761	$ 239,761	$ 722,055	$ 482,294

See accompanying notes to the basic financial statements.

Hocking County
Statement of Fund Net Position
Proprietary Fund
As of December 31, 2018

Assets	**Sewer Fund**
Current Assets	
Equity in Pooled Cash	
and Cash Equivalents	$ 232,292
Intergovernmental Receivable	88,574
Accounts Receivable (net of	
allowance, where applicable)	55,447
Total Current Assets	376,313
Noncurrent Assets	
Non-depreciable Capital Assets	422,700
Depreciable Capital Assets, Net	876,941
Total Noncurrent Assets	1,299,641
Total Assets	1,675,954
Deferred Outflows of Resources	
Pensions	24,687
OPEB	9,287
Total Deferred Outflows of Resources	33,974
Liabilities	
Current Liabilities	
Accounts Payable	14,302
Accrued Wages and Benefits Payable	701
Intergovernmental Payable	531
Contracts Payable	92,964
Compensated Absences - Current	609
Capital Leases - Current	8,050
Revenue Bonds - Current	15,200
Total Current Liabilities	132,357
Noncurrent Liabilities	
Compensated Absences - Net of Current	8,147
OWDA Loan Payable	38,932
Capital Leases - Net of Current	8,535
Revenue Bonds - Net of Current	351,300
Net Pension Liability	56,994
Net OPEB Liability	38,247
Total Noncurrent Liabilities	502,155
Total Liabilities	634,512
Deferred Inflows of Resources	
Pension	19,747
OPEB	2,849
Total Deferred Inflows of Resources	22,596
Net Position	
Net Investment in Capital Assets	784,660
Unrestricted	268,160
Total Net Position	$ 1,052,820

See accompanying notes to the basic financial statements.

Hocking County
Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2018

		Sewer Fund
Operating Revenues		
Charges for Services	$	248,959
Other Operating Revenues		6,084
Total Operating Revenues		255,043
Operating Expenses		
Salaries and Wages		53,487
Fringe Benefits		32,815
Contractual Services		21,545
Depreciation		60,833
Materials and Supplies		30,506
Other		9,291
Total Operating Expenses		208,477
Operating Income		46,566
Nonoperating Expenses		
Interest and Fiscal Charges		(32,168)
Total Nonoperating Expenses		(32,168)
Change in Net Position Before Capital Contributions		14,398
Capital Contributions - Assessments		8,425
Capital Contributions - Intergovernmental		330,136
Total Capital Contributions		338,561
Change in Net Position		352,959
Net Position at Beginning of Year - As Restated		699,861
Net Position at End of Year	$	1,052,820

See accompanying notes to the basic finanical statements.

Hocking County
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2018

	Sewer Fund
Increase in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 225,948
Cash Received from Other Revenues	6,084
Cash Payments to Suppliers for Goods and Services	(48,210)
Cash Payments to Employees for Services and Benefits	(73,531)
Net Cash Provided by Operating Activities	110,291
Cash Flows from Capital and Related Financing Activities:	
Proceeds from OWDA Loans	481,913
Proceeds from Capital Leases	25,630
Payments for Capital Acquisitions	(245,405)
Capital Contributions- Intergovernmental	241,562
Capital Contributions- Special Assessments	8,425
Principal Payments	(542,766)
Interest Payments	(43,926)
Net Cash Used for Capital and Related Financing Activities	(74,567)
Net Increase in Cash and Cash Equivalents	35,724
Cash and Cash Equivalents at Beginning of Year	196,568
Cash and Cash Equivalents at End of Year	$ 232,292
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	$ 46,566
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	60,833
Pension Expense Not Affecting Cash	15,222
OPEB Expense Not Affecting Cash	(4,278)
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(23,011)
Increase in Accounts Payable	13,132
Increase in Compensated Absences	1,796
Increase in Accrued Wages and Benefits Payable	31
Total Adjustments	63,725
Net Cash Provided by Operating Activities	$ 110,291

See accompanying notes to the basic financial statements.

Hocking County

Statement of Fiduciary Assets and Liabilities

Agency Funds

As of December 31, 2018

Assets		
Equity in Pooled Cash and Cash Equivalents	$	3,788,837
Cash and Cash Equivalents in Segregated Accounts		381,646
Taxes Receivable		20,789,041
Intergovernmental Receivable		1,531,764
Total Assets	$	26,491,288
Liabilities		
Due to Other Governments	$	25,998,103
Undistributed Monies		493,185
Total Liabilities	$	26,491,288

See accompanying notes to the basic financial statements.

NOTE 1 - REPORTING ENTITY

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

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

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

Discretely Presented Component Units: The component unit column in the basic financial statements identifies the financial data of the County's component unit, Hocking Valley Community Hospital. This component unit is reported separately from the primary government to emphasize that it is legally separate from the County. Note 22 provide significant disclosures related to this component unit.

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

NOTE 1 - REPORTING ENTITY – (CONTINUED)

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

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

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

- Hocking County Soil and Water Conservation District
- Hocking County General Health District
- Hocking Valley Community Residential Center

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Government-Wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities and discretely presented component unit 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, business-type activities, and the discretely presented component unit. 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, business-type activity, or discretely presented component unit activity is self-financing or draws from the general revenues of the County.

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

Fund Financial Statements

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

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

Governmental Fund Types

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

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

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

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

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

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2018. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, fines and forfeitures collected and distributed to other political subdivisions, and for certain County department outside bank accounts.

Measurement Focus:

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

Revenues – Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Measurable means the amount of the transaction can be determined and 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, 2019. Therefore, six months of receivables have been recorded for these revenue types.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The County recorded a deferred outflow of resources as of December 31, 2018 for pensions/OPEB. The deferred outflows of resources related to the pension are explained in Note 10. The deferred outflows of resources related to OPEB are explained in Note 11. The County also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the County, these amounts consist of special assessments which are not collected in the available period, intergovernmental receivables which are not collected in the available period, and pensions/OPEB. Property taxes for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance fiscal year 2019 operations, have also been recorded as deferred inflows of resources.

The difference between deferred inflows on the statement of net position and the balance sheet is due to delinquent property taxes, intergovernmental grants, and special assessments not received during the available period. These were reported as revenues on the statement of activities and not recorded as deferred inflows on the statement of net position. Deferred inflows of resources related to pension and OPEB are only reported on the Statement of Net Position. (See Notes 10 and 11, respectively)

Expenses/Expenditures

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

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

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

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

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

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

During fiscal year 2018, investments were limited to STAR Ohio, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation securities, money market funds, and negotiable certificates of deposit.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The County measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transaction to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Interest is distributed to the General Fund, the Motor Vehicle Gas Tax Fund and a non-major special revenue fund. The interest earned during 2018 amounted to $185,666, $22,258 and $80 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.

Prepaid Items: Payments made for services that will benefit periods beyond year-end are recorded as prepaid items using the consumption method. An asset for prepaid amount is recorded at the time of the payment and an expense or expenditure is reported in the year in which the services are used.

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

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

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

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

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

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

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

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

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For the proprietary funds, the entire amount of compensated absences is reported as a fund liability. The County had no "Matured Compensated Absences Payable" at December 31, 2018.

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. Long-term notes/loans and special assessment bonds are recognized as liabilities on the fund financial statements when due.

Net Position: Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and the effect of deferred outflows and inflows related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Other purposes restricted net position includes various grants and other resources restricted for various purposes. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the County's restricted net position, none are restricted by enabling legislation.

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

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

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

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

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

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

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

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

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

Interfund Transactions: Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for 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.

Pensions/Other Postemployment Benefits (OPEB): For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance for governmental funds (GAAP basis).
4. Certain other financing sources are recorded on a GAAP basis but are not recorded on a budget basis.

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

5. Advances-in and advances-out are recorded as other financing sources and uses on a budget basis as opposed to increases or decreases in Interfund receivables or payables on a GAAP basis.
6. Certain funds are reported as part of the General fund on a GAAP basis, but are not reported as part of the General fund on the Budget basis.

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

Net Changes in Fund Balances
Major Governmental Funds

	General	Motor Vehicle Gas Tax	Board of Developmental Disablities	Emergency Medical Services
GAAP Basis	$ (448,215)	$ (35,041)	$ 62,680	$ (421,575)
Increases (Decreases) Due to:				
Revenue Accruals	1,764,284	(510,047)	(9,090)	(16,394)
Expenditure Accruals	(1,186,627)	548,373	(38,945)	42,693
Encumbrances	(105,590)	(377,466)	(69,642)	(86,643)
Perspective Difference:				
Activity of Funds Reclassified For GAAP Reporting Purposes				
Non-Budgeted Funds	473,044	-	-	-
Budget Basis	$ 496,896	$ (374,181)	$ (54,997)	$ (481,919)

NOTE 4 - DEPOSITS AND INVESTMENTS

Policies and Procedures: State statute classifies monies held by the County into two categories. Active monies mean 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 with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero-coupon United States Treasury security that is a direct obligation of the United States;

2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

4. Bonds and other obligations of the State of Ohio or its political subdivisions provided the bonds or other obligations of political subdivisions mature within ten years from the date of settlement;

NOTE 4 - DEPOSITS AND INVESTMENTS - (CONTINUED)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts, in eligible institutions pursuant to ORC sections 135.32;

6. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143 (6); and repurchase agreements secured by such obligations, provided these investments 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 simultaneously exchange either securities or cash, equal value for equal value, within certain limitations;

9. Up to forty percent of the County's average portfolio in either of the following

    a. Commercial paper notes in entities incorporated under the laws of Ohio, or any other State, that have assets exceeding five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase, and the investment in commercial paper notes of a single issuer shall not exceed the aggregate five percent of interim monies available for investment at the time of purchase;

    b. Bankers acceptances eligible for purchases by the Federal Reserve System and which mature within 180 days after purchase.

10. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions doing business under authority granted by the U.S. or any state provided the notes are rated in the three highest categories by at least two nationally recognized standard rating services at the time of purchase and the notes mature not later than three years after purchase;

11. A current unpaid or delinquent tax line of credit, provided certain conditions are met related to a County land reutilization corporation organized under ORC Chapter 1724; and,

12. Up to two percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity.

Investments may only be made through specified dealers and institutions. 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.

Cash on Hand At year end, the County had $3,878 in un-deposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents".

NOTE 4 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $5,525,791 of the County's bank balance of $7,559,732 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments As of December 31, 2018, the County had the following investment and maturity:

		Weighted Average Maturity		
	Carrying/Fair Value	<1 Year	1 - 2 Years	3-5 Years
Negotiable Certificates of Deposit	$ 489,052	$ 395,558	$ -	$ 93,494
Money Market Funds	5,248,128	5,248,128	-	-
STAR Ohio	47,811	47,811	-	-
Federal National Mortgage Association	965,838	-	504,252	461,586
Federal Home Loan Mortgage Corporation	801,737	426,422	-	375,315
Total Investments	$ 7,552,566	$ 6,117,919	$ 504,252	$ 930,395

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the County's recurring fair value measurements as of December 31, 2018. As discussed further in Note 2, STAR Ohio is reported at its share price. All other investments of the County are valued using quoted market prices (Level 1 inputs).

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

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The County's investment policy does not address credit risk beyond the requirements of the Ohio Revised Code. Investments in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association were rated AA+ by Standard & Poor's and Aaa by Moody's. The County's investments in individual marketable certificates of deposit are fully insured by the Federal Deposit Insurance Corporation. Investments in the First American Treasury Money Market Fund and STAR Ohio were rated AAAm by Standard & Poor's.

NOTE 4 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The County's investment policy allows investments in those authorized under the Ohio Revised Code. The County has invested 6.5% in negotiable certificates of deposit, 12.8% in Federal National Mortgage Association, 10.6% in Federal Home Loan Mortgage Corporation, .6% in STAR Ohio, and 69.5% in Money Market Funds.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the investment policy, all of the County's securities are either insured and registered in the name of the County or at least registered in the name of the County.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years. The last reappraisal was completed in 2017. Real property taxes are payable annually or semiannually. The first payment is due February 14, with the remainder payable by July 18.

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

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

Accrued property taxes receivables represent delinquent taxes outstanding and real and public utility taxes that were measurable and unpaid as of December 31, 2018. 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 2018 operations. The receivable is therefore offset by a credit to deferred inflows of resources. On the modified accrual basis, the entire receivable is deferred inflows of resources.

The full tax rate for all County operations for the year ended December 31, 2018, was $13.95 per $1,000 of assessed value. The assessed values of real property upon which 2018 property tax receipts were based are as follows:

Real Estate	
Residential/Agricultural	$ 503,728,610
Commercial/Industrial	50,667,080
Public Utilities	87,670
Minerals	439,880
Tangible Personal Property	
Public Utilities	106,666,700
Total Property Taxes	$ 661,589,940

NOTE 6 - PERMISSIVE SALES TAX

The County Commissioners, by resolution, imposed a 1.25 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 2018 amounted to $4,131,408.

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 2018 amounted to $826,888.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance at January 1, 2018	Additions	Deletions	Balance December 31, 2018
Governmental Activities				
Non-Depreciable Capital Assets				
Land	$ 928,080	$ -	$ (114,868)	$ 813,212
Construction In Progress	508,392	197,405	(705,797)	-
Total Non-Depreciable Capital Assets	1,436,472	197,405	(820,665)	813,212
Depreciable Capital Assets				
Land Improvements	217,537	22,275	-	239,812
Buildings	6,276,591	1,162,380	-	7,438,971
Infrastructure	37,019,603	1,946,192	-	38,965,795
Vehicles	5,572,951	117,632	(134,514)	5,556,069
Machinery and Equipment	6,158,748	646,019	(352,505)	6,452,262
Total Depreciable Capital Assets	55,245,430	3,894,498	(487,019)	58,652,909
Less Accumulated Depreciation for				
Land Improvements	(85,765)	(16,468)	-	(102,233)
Buildings	(2,014,661)	(255,730)	-	(2,270,391)
Infrastructure	(18,467,920)	(1,425,922)	-	(19,893,842)
Vehicles	(3,004,880)	(392,859)	107,562	(3,290,177)
Machinery and Equipment	(3,623,791)	(363,369)	280,864	(3,706,296)
Total Accumulated Depreciation	(27,197,017)	(2,454,348)	388,426	(29,262,939)
Total Depreciable Capital Assets, Net	28,048,413	1,440,150	(98,593)	29,389,970
Governmental Activities Capital Assets, Net	$ 29,484,885	$ 1,637,555	$ (919,258)	$ 30,203,182

NOTE 7 - CAPITAL ASSETS – (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	$ 115,107
Judical	105,870
Public Safety	434,758
Public Works	1,630,840
Health	114,290
Human Services	50,818
Conservation and Recreation	2,665
Total Depreciation Expense - Governmental Activities	$ 2,454,348

	Balance at January 1, 2018	Additions	Deletions	Balance at December 31, 2018
Business Type Activities				
Non-Depreciable Capital Assets				
Land	$ 29,000	$ -	$ -	$ 29,000
Construction in Progress	80,961	312,739	-	393,700
Total Non-Depreciable Capital Assets	109,961	312,739	-	422,700
Depreciable Capital Assets				
Wastewater Treatment Plant	362,597	-	-	362,597
Vehicles	-	25,630	-	25,630
Collection System	1,829,858	-	-	1,829,858
Total Depreciable Capital Assets	2,192,455	25,630	-	2,218,085
Less Accumulated Depreciation for				
Wastewater Treatement Plant	(350,882)	(11,715)	-	(362,597)
Vehicle	-	(2,563)	-	(2,563)
Collection System	(929,429)	(46,555)	-	(975,984)
Total Accumulated Depreciation	(1,280,311)	(60,833)	-	(1,341,144)
Total Depreciable Capital Assets, Net	912,144	(35,203)	-	876,941
Business Type Activities Capital Assets, Net	$ 1,022,105	$ 277,536	$ -	$ 1,299,641

NOTE 8 - INTERGOVERNMENTAL RECEIVABLES

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

Fund/Type	Amount
Major Funds	
General Fund	
Local Government	$ 197,749
Homestead Rollback	143,566
Other	138,533
Total General Fund	479,848
Motor Vehicle Gas Tax	
License, Gasoline & Permissive Taxes	1,693,249
Other	10,452
Total Motor Vehicle Gas Tax	1,703,701
Board of Developmental Disabilities	
Grants and Entitlements	52,792
Homestead Rollback	109,059
Total Board of Developmental Disablilities	161,851
Emergency Medical Services	
Homestead Rollback	109,087
Total Emergency Medical Services	109,087
Total Major Funds	2,454,487
Other Governmental Funds	
Grants and Entitlements	278,444
Homestead Rollback	19,852
Total Other Governmental Funds	298,296
Total Intergovernmental Receivables	
Governmental Funds	$ 2,752,783
Agency Funds	
License, Gasoline and Permissive Taxes	$ 484,880
Undivided Library Tax	430,158
Local Government	505,809
Other	110,917
Total Agency Funds	$ 1,531,764

NOTE 9 - RISK MANAGEMENT

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

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

In the event of losses, the member will pay the first $2,500 of any valid claim, except for electrical substations, transformers, and deep well pumps for which the deductible is $10,000. The Council's liability insurance carrier will pay up to the policy limits, after the deductible. Any liability or judgment that exceeds the policy limits goes back to Hocking County. The agreement between the County and the Council indicates that a voluntary withdrawal or termination by the County shall constitute a forfeiture of any pro-rata share of the Council reserve fund.

In the event of the termination of the Council, after sufficient time for payment of any potential claims and expense, any balance would be refunded to the members of the Council, pro-rated based upon their last year's contribution. During 2018, Hocking County paid $306,356 to the Council for insurance coverage. This jointly governed organization is a cost-sharing pool.

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

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

NOTE 10- DEFINED BENEFIT PENSION PLANS

Net Pension Liability

Substantially all County employees are covered by the Ohio Public Employees Retirement System (OPERS).

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the County's proportionate share of the pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

NOTE 10- DEFINED BENEFIT PENSION PLANS - (CONTINUED)

Net Pension Liability (continued)

Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of the plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

NOTE 10- DEFINED BENEFIT PENSION PLANS - (CONTINUED)

Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	**Public Safety**	**Public Safety**
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	**Law Enforcement**	**Law Enforcement**
Age and Service Requirements: Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	**Public Safety and Law Enforcement**	**Public Safety and Law Enforcement**
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

NOTE 10- DEFINED BENEFIT PENSION PLANS - (CONTINUED)

Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)
Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Public Safety	Law Enforcement
2018 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2018 Actual Contribution Rates			
Employer:			
Pension	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits	0.0	0.0	0.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.
** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The County's contractually required contribution was $1,477,488 for 2018. Of this amount, $106,528 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate Share of the Net Pension Liability - Current Year	0.0744930%
Proportionate Share of the Net Pension Liability - Prior Year	0.0740770%
Change in Proportionate Share	0.0004160%
Proportion of the Net Pension Liability	$11,686,507
Pension Expense	$2,619,932

NOTE 10- DEFINED BENEFIT PENSION PLANS - (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	**OPERS**
Differences between expected and actual economic experience	$ 11,935
Changes of assumptions	1,396,616
Changes in County proportionate share	76,811
County contributions subsequent to the measurement date	1,477,488
Total	$2,962,850

Deferred Inflows of Resources	**OPERS**
Differences between expected and actual economic experience	$ 230,304
Differences between projected and actual investment earnings	2,508,940
Changes in County proportionate share	54,559
Total	$2,793,803

$1,477,288 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2019	$1,056,627
2020	(229,302)
2021	(1,104,803)
2022	(1,030,963)
Total	($1,308,441)

NOTE 10- DEFINED BENEFIT PENSION PLANS - (CONTINUED)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	December 31, 2017
Experience study	5 year period ended December 31, 2015
Actuarial cost method	Individual entry age
Actuarial assumptions:	
Investment rate of return	7.50 percent
Wage inflation	3.25 percent
Projected salary increases	3.25 to 10.75 percent (including wage inflation of 3.25%)
Cost-of-living adjustments	Pre 1/7/2013 retirees: 3.00 percent, simple
	Post 1/7/2013 retirees: 3.00 percent, simple through 2018, then 2.15% simple

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

***NOTE 10- DEFINED BENEFIT PENSION PLANS** (Continued)*

Actuarial Assumptions – OPERS (continued)

The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.20 %
Domestic equities	19.00	6.37
Real estate	10.00	5.26
Private equity	10.00	8.97
International equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate

The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	$20,752,260	$11,686,507	$4,128,402

NOTE 11 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the County's proportionate share of the OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which OPEB are financed; however, the County does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of the plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

NOTE 11 – DEFINED BENEFIT OPEB PLANS – (CONTINUED)

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was $0 for 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The County's proportion of the net OPEB liability was based on the County's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.071570%
Prior Measurement Date	0.072110%
Change in Proportionate Share	-0.0005400%
Proportionate Share of the Net OPEB Pension Liability	$7,771,975
OPEB Expense	$632,511

NOTE 11 – DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$6,054
Changes of assumptions	565,882
Changes in County proportion	37,222
Total Deferred Outflows of Resources	$609,158
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	578,960
Change in County proportion	74,121
Total Deferred Inflows of Resources	$653,081

There were no County contributions related to OPEB subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS
Year Ending December 31:	
2019	$111,062
2020	111,062
2021	(121,307)
2022	(144,740)
Total	($43,923)

NOTE 11 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases,	3.25 to 10.75 percent
including inflation	including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial
	3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

NOTE 11 – DEFINED BENEFIT OPEB PLANS *(Continued)*

Actuarial Assumptions – OPERS (continued)

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
County's proportionate share of the net OPEB liability	$10,325,404	$7,771,975	$5,706,276

NOTE 11 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OPERS (continued)

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
County's proportionate share of the net OPEB liability	$7,436,123	$7,771,975	$8,118,901

NOTE 12 - OTHER EMPLOYEE BENEFITS

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

NOTE 13 - LONG-TERM DEBT

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

	Outstanding 12/31/2017*	Increases	Decreases	Outstanding 12/31/2018	Due Within One Year
Long-Term Notes:					
2003 - 4.15% (Original Issue $277,692)					
Juvenile Detention Facility Note	$ 108,107	$ -	$ 16,221	$ 91,886	$ 16,894
2012 - 2.75% (Original Issue $520,000)					
Logan-Health Department	156,838	-	53,295	103,543	54,789
2017 - 3.00% (Original Issue $150,000)					
Equipment Loan	150,000	-	30,000	120,000	30,000
2017 - 0.00% (Original Issue $36,928)					
OPWC Note - CR 15T Bridge Replacement	35,609	-	2,638	32,971	2,638
2018 - 0.00% (Original Issue $49,000)					
OPWC Note - CR 15T Bridge Replacement	-	49,000	4,900	44,100	9,800
2014 - 0% (Original Issue $250,000)					
OPWC Loan - County Paving CR19R	125,000	-	50,000	75,000	50,000
2015 - 2.5% (Original Issue $634,530)					
EMS Equipment Note	324,445	-	127,367	197,078	130,570
2018 - 3.00% (Original Issue $140,000)					
Excavator Note	-	140,000	26,370	113,630	27,161
2015 - 0% (Original Issue $7,578)					
OPWC Loan - 2015 County Paving CR08S	5,304	-	1,516	3,788	1,516
2013 - 0% (Original Issue $200,000)					
OPWC Loan - County-City Paving Project	60,000	-	40,000	20,000	20,000
2018 - Principal forgiveness HSTS WPCLF	-	177,561	177,561	-	-
Total Long-Term Notes	965,303	366,561	529,868	801,996	343,368
Capital Leases	52,480	192,822	120,532	124,770	60,567
Pension Liability	16,758,424	-	5,128,911	11,629,513	-
OPEB Liability	7,247,210	486,518	-	7,733,728	-
Compensated Absences	841,670	1,100,593	1,004,153	938,110	94,706
Total General Long-Term Obligations	$ 25,865,087	$ 2,146,494	$ 6,783,464	$ 21,228,117	$ 498,641
Enterprise Funds					
2017 - OWDA 7514 - Murray City Sewer	$ 64,695	$ 88,776	$ 153,471	$ -	$ -
2017 - OWDA 7794 - Carbon Hill Sewer	1,506	105,522	107,028	-	-
2018 - OWDA 8287 - Murrary City Sewer	-	147,920	147,920	-	-
2018 - OWDA 8248 - Carbon Hill Sewer	-	110,692	110,692	-	-
2018 - OWDA 8198 - Union Furnace Design	-	3,807	-	3,807	-
2018 - OWDA 7927 - Rockbridge to Logan Desi	-	25,196	-	25,196	-
1996 - 4.5% (Original Issue $333,000)					
Rockbridge Sanitary Sewer Revenue Bonds	240,000	-	7,700	232,300	8,000
2015 - 3.26% (Original Issue $10,629)					
OWDA Loan - Unsewered Area Planning	10,039	-	110	9,929	-
1991 - 5.875% (Original Issue $227,000)					
Haydenville Sewer FmHA Revenue Bonds	141,000	-	6,800	134,200	7,200
Total Revenue Bonds and Loans	457,240	481,913	533,721	405,432	15,200
Compensated Absences	6,960	10,284	8,488	8,756	609
Capital Leases	-	25,630	9,045	16,585	8,050
Pension Liability	59,376	-	2,382	56,994	-
OPEB Liability	36,145	2,102	-	38,247	-
Total Enterprise Fund	$ 559,721	$ 519,929	$ 553,636	$ 526,014	$ 23,859

* As restated – see Note 19.

NOTE 13 - LONG-TERM DEBT – (CONTINUED)

The County has pledged future sewer customer revenues, net of specified operating expenses, to repay $232,300 and $134,200 (original issue amounts of $333,000 and $227,000) in sewer revenue bonds issued in 1996 and 1991, respectively. Proceeds from the bonds provided financing for the construction of the Rockbridge and Haydenville wastewater treatment facilities. The bonds are payable solely from sewer customer net revenues and are payable through 2037. Annual principal and interest payments on the bonds are generally expected to require approximately 46 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $546,120. Principal and interest paid for the current year and total customer net revenues were $33,488 and $115,824, respectively.

The compensated absences liability will be paid from the fund, from which the employees are paid, with the most significant funds being the General Fund, Motor Vehicle Gas Tax Fund, Board of Developmental Disabilities Fund, and the Emergency Medical Services Fund. The County pays obligations related to employee compensation from the fund benefitting from their service.

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

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

During 2013, the County issued an OPWC loan in the amount of $200,000 at 0% interest for the County-City Paving Project. The OPWC loan is being repaid from the Motor Vehicle Gas Tax Fund.

During 2014, the County issued an OPWC loan in the amount of $250,000 at 0% interest for the County Paving Project. This loan is being repaid from the Motor Vehicle Gas Tax Fund.

During 2015, the County issued an OWDA loan in the amount of $10,629 for the purpose of un-sewered area planning. The loan was issued for a 5-year period at a 3.26% rate. The final maturity date of the loan is January 1, 2021. An amortization schedule is not available and therefore is not presented on the next page.

During 2015, the County issued a note in the amount of $634,530 for the purpose of purchasing vehicles and equipment. The loan was issued at an interest rate of 2.5% with a final maturity date of April 20, 2020. The note is being repaid from the Emergency Medical Services Fund.

During 2015, the County issued an OPWC loan in the amount of $7,578 at 0% interest for the purpose of paving two County roads. This loan was issued for a 5-year period and is being paid from the Motor Vehicle and Gas Tax Fund.

During 2017, the County obtained a loan in the amount of $150,000 for the purpose of purchasing equipment for the engineer's department. The loan was issued at an interest rate of 3.0% with a final maturity date of October 2, 2022. The loan will be repaid from the motor vehicle gas tax fund.

During 2017, the County issued an OPWC loan in the amount of $36,928 at 0% interest for the County Paving Project. This loan is being repaid from the Motor Vehicle Gas Tax Fund.

During 2018, the County issued an OPWC loan in the amount of $49,000 at 0% interest for the County Paving Project. This loan is being repaid from the Motor Vehicle Gas Tax Fund.

During 2018, the County issued a note in the amount of $140,000 for the purpose of purchasing an excavator. The loan was issued at an interest rate of 3.0% with a final maturity date of May 25, 2022. The note is being repaid from the Motor Vehicle Gas Tax Fund.

NOTE 13 - LONG-TERM DEBT – (CONTINUED)

During 2018, the County issued an OWDA loan in the amount of $177,561 for the purpose of improving sewer septic systems. The loan was repaid through a principal forgiveness program from the OWDA in 2018.

During 2017, the County issued an OWDA loan in the amount of $64,695 for the purpose improving the Murray City Sewer Facilities. An additional $88,776 was issued in 2018. This loan was paid with the issuance of OWDA loan #8287 in 2018.

During 2018, the County issued an OWDA loan in the amount of $147,920 for the purpose improving the Murray City Sewer Facilities. The loan was repaid through a principal forgiveness program from the OWDA in 2018.

During 2017, the County issued an OWDA loan in the amount of $1,506 for improvements to Carbon Hill Sanitary Sewer. An additional $105,522 was issued in 2018. This loan was paid with the issuance of OWDA loan #8248 in 2018.

During 2018, the County issued an OWDA loan in the amount of $110,692 for improvements to Carbon Hill Sanitary Sewer. The loan was repaid through a principal forgiveness program from the OWDA in 2018.

During 2018, the County issued an OWDA loan in the amount of $3,807 for the purpose designing the Union Furnace Sewer Facilities. The amount encumbered by OWDA for this project is $306,601. The project is ongoing at December 31, 2018. No amortization schedule has been set.

During 2018, the County issued an OWDA loan in the amount of $25,196 for the purpose designing the sewage transport system from Rockbridge to Logan The amount encumbered by OWDA for this project is $50,400. The project is ongoing at December 31, 2018. No amortization schedule has been set.

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

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

	Logan-Health Department Notes		Equipment Loan		Sanitary Sewer Revenue Bonds	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 54,789	$ 5,149	$ 30,000	$ 3,650	$ 15,200	$ 18,338
2020	48,754	3,624	30,000	2,745	15,900	17,555
2021	-	-	30,000	1,825	16,700	16,735
2022	-	-	30,000	912	17,700	15,874
2023	-	-	-	-	18,500	14,960
2024-2028	-	-	-	-	108,100	59,392
2029-2033	-	-	-	-	108,200	29,155
2034	-	-	-	-	66,200	7,611
Totals	$ 103,543	$ 8,773	$ 120,000	$ 9,132	$ 366,500	$ 179,620

NOTE 13 - LONG-TERM DEBT – (CONTINUED)

	Juvenile Detention Facility Notes		EMS Note		Excavator Loan	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 16,894	$ 3,120	$ 130,570	$ 4,114	$ 27,161	$ 3,409
2020	17,587	3,120	66,508	834	27,968	2,601
2021	18,325	2,382	-	-	28,815	1,755
2022	19,086	1,621	-	-	29,686	891
2023	19,994	831	-	-	-	-
Totals	$ 91,886	$ 11,074	$ 197,078	$ 4,948	$ 113,630	$ 8,656

	CR15T OPWC Paving	CR09Q OPWC Paving	CR19R OPWC Paving	CR15U OPWC Paving	CR08S OPWC Paving
	Principal	Principal	Principal	Principal	Principal
2019	$ 2,638	$ 20,000	$ 50,000	$ 9,800	$ 1,516
2020	2,638	-	25,000	9,800	1,516
2021	2,638	-	-	9,800	756
2022	2,638	-	-	9,800	-
2023	2,638	-	-	4,900	-
2024-2028	13,190	-	-	-	-
2029-2033	6,591	-	-	-	-
Totals	$ 32,971	$ 20,000	$ 75,000	$ 44,100	$ 3,788

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In previous fiscal years, the County entered into capital leases for various vehicles and equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. The leases are being repaid from the General Fund, the Board of Developmental Disabilities Fund, and the Senior Citizens Fund.

The capital assets acquired by the leases have been capitalized in the statement of net position for governmental activities in the amount of $520,313, and for business-type activities in the amount of $25,630, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2018 totaled $120,532 in the governmental funds and $9,045 in business-type funds. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2018.

Fiscal Year Ending June 30,	Amount
2019	$ 77,098
2020	77,103
Total	154,201
Less Amount Representing Interest	(12,846)
Present Value of Net Minimum Lease Payments	$ 141,355

NOTE 15 - INTERFUND TRANSACTIONS

Manuscript Debt

On February 16, 2017, the County issued $900,000 of general obligation bonds to itself in order to fund municipal courthouse renovations. The bonds carry a 3.00% interest rate and reach final maturity on December 1, 2032. The bonds were purchased from the General Fund. The following table summarizes the principal and interest payments required from the Hall of Justice Fund to the General Fund to retire the debt:

	2018 Hall of Justice Construction	
Year	Principal	Interest
2019	$ 50,517	$ 24,434
2020	52,044	22,907
2021	53,617	21,334
2022	55,237	19,713
2023	56,907	18,044
2024-2028	311,398	63,354
2029-2032	247,270	15,057
Totals	$ 826,990	$ 184,843

The principal balance outstanding as of December 31, 2018 is reflected as part of Interfund Receivable in the General fund and Interfund Payable in the Hall of Justice fund below.

Interfund Receivables/Payables

As of December 31, 2018, receivables and payables that resulted from various interfund transactions were as follows. Except as noted above, the County's General Fund made advances to other funds in anticipation of intergovernmental grant revenue and to cover a deficit cash balance in the General Obligation Debt fund. These will be repaid in fiscal year 2019.

	Interfund Payables	Interfund Receivables
Major Funds		
General	$ -	$ 890,668
Total Major Fund	-	890,668
Non-Major Special Revenue Funds:		
High Visibility Enforcement	343	-
Homeland Security	24,627	-
Sheriff LEBG	18,000	-
Total Non-Major Special Revenue Funds	42,970	-
Non-Major Debt Service Fund:		
General Obligation Debt	20,708	-
Non-Major Capital Projects Fund:		
Hall of Justice Construction Fund	826,990	-
Total All Funds	$ 890,668	$ 890,668

NOTE 15 - INTERFUND TRANSACTIONS – (CONTINUED)

Interfund Transfers

Fund Type/Fund	Transfers In	Transfers Out
Major Fund		
General Fund	$ -	$ 12,350
Total Major Fund	-	12,350
Other Governmental Funds		
Non-Major Special Revenue Funds		
Justice Assistance Grant	-	10,308
Violence Against Women Grant	10,308	-
Senior Citizens	-	250,000
Hocking County EMA	-	-
School Resource Officer	10,000	-
Municipal Clerk's Computer	2,350	-
Total Non-Major Special Revenue Funds	22,658	260,308
Non-Major Capital Projects Funds		
Senior Center	250,000	-
Hall of Justice Construction	49,035	-
Municipal Court Special Project	-	74,951
Total Non-Major Capital Projects Funds	299,035	74,951
Non-Major Debt Service Fund		
Hall of Justice Debt Fund	74,951	49,035
Total Non-Major Debt Service Fund	74,951	49,035
Total Other Governemental Funds	396,644	384,294
Total All Funds	$ 396,644	$ 396,644

During the year, the County provided transfers from the General Fund to the various funds to subsidize them in accordance with the funds' needs or to provide resources to make debt service payments. All transfers were done in accordance with the Ohio Revised Code.

NOTE 16- JOINTLY GOVERNED ORGANIZATIONS

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

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

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

NOTE 16- JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

Athens/Hocking Joint Solid Waste Management District

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

Buckeye Joint-County Self Insurance Council

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

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

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

NOTE 17 – JOINT VENTURES

Corrections Commission of Southeastern Ohio

The County is a participant with Athens, Morgan and Perry Counties in the Corrections Commission of Southeastern Ohio (the Commission) which is a joint venture of the participating counties. The purpose of the Commission is to augment the county jail programs and facilities. The operation of the Commission allows for the humane and constitutional detention of persons who cannot be released to less restrictive alternatives. The participating Boards of County Commissioners established the Commission. The Commission is directed by the Sheriff of each participating county, the presiding Judge of the Court of Common Pleas of each participating county, and the current president of each participating Board of County Commissioners. Each county is obligated to provide financial support to this entity through per diem charges and assessments that are based on the number of beds contractually assigned to each county in proportion to the total number of beds of all participating counties. The County has an ongoing financial responsibility for this entity and, during 2018, contributed $888,799 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 17 – JOINT VENTURES – (CONTINUED)

South Central Ohio Job and Family Services

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

NOTE 18 – CONTINGENT LIABILITIES

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

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

NOTE 19 – NEW ACCOUNTING PRINCIPLES

For the fiscal year ended December 31, 2018, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus 2017*.

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 had the following effect on the financial statements of the County and certain additional disclosures have been made in the notes to the basic financial statements.

	Governmental Activities	Sewer Fund/ Business-Type Activities
Net position, December 31, 2017 - As previously stated	$32,205,621	$735,948
County's Share of Beginning Plan Net OPEB Liability	(7,247,210)	(36,145)
County's Share of 2017 Employer Contributions	99,910	58
Net position, December 31, 2017 - As restated	$25,058,321	$699,861

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 did not have an effect on the financial statements of the County.

NOTE 20 – RELATED PARTY RELATIONSHIP

On May 8, 2008, the County guaranteed a loan for the Hocking County Agricultural Society restroom/shower facility construction project, using the fairgrounds as collateral. The original loan balance was $140,000 with annual debt service principal requirements of $9,333, plus interest, for a term of 15 years. This loan carries an interest rate of 6.25%. As of December 31, 2018, the balance on this loan had been repaid.

NOTE 21 – FUND BALANCES

Fund Balances	General	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Unclaimed Monies	$ 158,028	$ -	$ -	$ -	$ -	$ 158,028
Materials & Supplies Inventories	2,918	593,196	-	-	-	596,114
Total of Nonspendable	160,946	593,196	-	-	-	754,142
Restricted For:						
Debt Service	-	-	-	-	106,500	106,500
Capital Projects	-	-	-	-	396,711	396,711
Family and Children First	-	-	-	-	367,777	367,777
Motor Vehicle Gas Tax	-	1,920,151	-	-	-	1,920,151
Municipal Court Special Projects	-	-	-	-	148,150	148,150
Senior Citizens	-	-	-	-	331,826	331,826
Hocking County 911	-	-	-	-	1,415,168	1,415,168
Wireless 911	-	-	-	-	427,253	427,253
Law Library	-	-	-	-	104,646	104,646
Board of Developmental Disabilities	-	-	493,427	-	-	493,427
Emergency Medical Services	-	-	-	760,808	-	760,808
Real Estate Assessment	-	-	-	-	779,474	779,474
Other Purposes	-	-	-	-	2,105,834	2,105,834
Total Restricted	-	1,920,151	493,427	760,808	6,183,339	9,357,725
Committed	9,193	-	-	-	-	9,193
Assigned						
2019 Appropriations	1,449,619	-	-	-	-	1,449,619
Encumbrances	53,410	-	-	-	-	53,410
Total Assigned	1,503,029	-	-	-	-	1,503,029
Unassigned (deficit)	1,989,178	-	-	-	(873,739)	1,115,439
Total Fund Balances	$ 3,662,346	$ 2,513,347	$ 493,427	$ 760,808	$ 5,309,600	$ 12,739,528

NOTE 22 – ACCOUNTABILITY

As of December 31, 2018, the Hall of Justice Construction, General Obligation Debt, Sheriff LEBG, Law Enforcement Body, and High Visibility Enforcement funds had a deficit fund balances in the amount of $826,958, $20,702, $1,108, $24,628 and $343, respectively. With the exception of the General Obligation Debt Fund, these negative fund balances were due to the implementation of GAAP. The General Fund is liable for deficits in other governmental funds and provides operating transfers when cash is required, not when accruals occur.

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NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL

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

Note 1. Reporting Entity

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

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

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The financial statements include the accounts of the Hospital and its component unit, the Foundation. The financial statements have been prepared in accordance with accounting principles generally accepted in the United State of America as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued in June 1999*. The Hospital follows the "business-type" activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the Hospital's financial activities.

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

Proprietary Fund Accounting: The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the full accrual basis. Substantially all revenue and expenses are subject to accrual.

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

Inventories: Inventories, consisting primarily of medical supplies and drugs, are valued at the lower of cost, determined by the first-in, first-out method, or net realizable value.

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

Note 2. Summary of Significant Accounting Policies (Continued)

Investments: The Hospital records its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Unrealized gains and losses on investments are included in net investment income in the statements of revenues, expenses and changes in net position.

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

Certificates of deposit: The Hospital records their investments in certificates of deposit at cost, while the Foundation records their investments in certificates of deposit at cost plus accrued interest. The certificates of deposit are classified on the statement of net position based on maturity date.

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

Statements of Revenues, Expenses and Changes in Net Position: The Hospital recognizes as operating revenues those transactions that are major or central to the provision of health care services. Operating revenues include those revenues received for direct patient care, grants received from organizations as reimbursement for patient care, and other incidental revenue associated with patient care. Operating expenses include those costs associated with providing patient care including costs of professional care, operating the hospital facilities, administrative expenses, and depreciation and amortization. Nonoperating revenues include investment income and grants and contributions received for purposes other than capital asset acquisition. Nonoperating expenses include interest expense and expenses for grants to the Foundation which represent amounts paid to the Foundation for the benefit of Hocking Valley Medical Group (see Note 15 within NOTE 22).

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

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

Depreciation expense on capital leases is included in depreciation and amortization in the statement of revenues, expenses and changes in net position. The asset and accumulated depreciation are removed from the related accounts when the asset is disposed. Any gain or loss resulting from this disposal is recorded in the statements of revenues, expenses and changes in net position.

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

Note 2. Summary of Significant Accounting Policies (Continued)

Compensated Absences: The Hospital's employees earn vacation time at varying rates depending on years of service. Employees may accumulate vacation time, up to 400 hours, to be carried over to the subsequent year. The Hospital's employees also earn sick leave on an annual basis at a flat rate regardless of years of service. Upon retirement, employees age 65 or older with a minimum of 10 years of service, and employees with 30 years of service regardless of age have sick leave balances paid out at 25% of eligible hours at their current rate of pay. The maximum payout is 240 hours. As of December 2018, the liability for accrued vacation and sick leave was $877,371.

Costs of borrowings: Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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

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

Net position: Net Investment in Capital Assets: Consists of capital assets, net of accumulated depreciation, and is reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Restricted Net Position: Results when constraints placed on the use of the net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provision or enabling legislation.

Unrestricted Net Position: Consists of remaining net position that does not meet the previously listed criteria.

Risk management: The Hospital is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; business interruptions; errors and omissions; injuries to employees; and natural disasters. Commercial insurance coverage is purchased for claims arising in such matters.

Upper payment limit: In September 2001, the State of Ohio Supplemental Upper Payment Limit program for Public Hospitals (UPL) was approved by the Centers for Medicare and Medicaid Services (CMS). This program provides access to available federal funding up to 100% of the Medicare upper payment limits for inpatient services rendered by Ohio Public Hospitals to Ohio Medicaid consumers. The Hospital received $806,533 in UPL payments in 2018, which is reflected in net patient service revenue. Additionally, the Hospital received 2019 UPL payments in advance which are reflected in the Statements of Net Position as unearned revenue. These amounts will be recorded as revenue in the year to which they relate.

Franchise fee: Effective July 1, 2009, the State of Ohio began assessing a franchise fee to hospitals to fund health care programs. The Hospital incurred franchise fee expense of $523,442 in 2018, and recorded the amount in supplies and other expenses in the Statements of Revenues, Expenses and Changes in Net Position. Additionally, the Hospital paid 2019 franchise fee payments in advance which are reflected in the Statements of Net Position as prepaid expenses. There was no franchise fee liability payable to the State of Ohio at December 31, 2018.

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

Note 2. Summary of Significant Accounting Policies (Continued)

Patient accounts receivable and net patient service revenue: The Hospital recognizes net patient service revenues on the accrual basis of accounting in the reporting period in which services are performed based on the current gross charge structure, less actual adjustments and estimated discounts for contractual allowances, principally for patients covered by Medicare, Medicaid, managed care and other health plans. The Hospital is designated as a critical access facility by the Medicare program. As a result, Medicare inpatient and outpatient services are reimbursed at the approximate cost plus 1% of providing those services subject to the federal sequestration provisions. Payment for the majority of Medicaid inpatient and outpatient services is based on a prospectively determined fixed price. Gross patient service revenue is recorded in the accounting records using the established rates for the type of service provided to the patient. The Hospital recognizes an estimated contractual allowance to reduce gross patient charges to the estimated net realizable amount for services rendered based upon previously agreed-to rates with a payor. The Hospital utilizes the patient accounting system to calculate contractual allowances on a payor-by-payor basis based on the rates in effect for each primary third-party payor. Another factor that is considered and could further influence the level of the contractual reserves includes the status of accounts receivable balances as inpatient or outpatient. The Hospital's management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms that result from contract renegotiations and renewals.

Payors include federal and state agencies, including Medicare, Medicaid, managed care health plans, commercial insurance companies, employers, and patients. These third-party payors provide payments to the Hospital at amounts different from its established rates based on negotiated reimbursement agreements. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and fee schedule payments. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Hospital estimates an allowance for doubtful accounts based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital.

Charity care: The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Of the Hospital's total operating expenses (approximately $35,706,000 during 2018), an estimated $304,000 arose from providing services to charity patients during 2018. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses divided by gross patient service revenue. The Hospital participates in the Hospital Care Assurance Program (HCAP), which provides for additional payments to hospitals that provide a disproportionate share of uncompensated services to the indigent and uninsured. Net amounts received through this program totaled $926,402 for 2018 and are reported as net patient service revenue in the financial statements.

Pension and Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the pension and OPEB, and pension and OPEB expense, information about the net position of the Ohio Public Employees Retirement System ("OPERS") and addition to/deductions from the OPERS's net position have been determined on the same basis as they are reported by the OPERS.

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

Note 3. Change in Accounting Principle-Hospital

New accounting standards: In 2018, the Hospital implemented the GASB Statement No. 75, Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions. This statement requires employers in cost sharing, multi-employer plans to recognize a proportionate share of the net OPEB liabilities of the plans. The Hospital participates in one multiple-employer pension plan, the OPERS, which provides post-retirement healthcare benefits. A proportionate share of the net OPEB liabilities of the retirement system has been allocated to the Hospital, based on retirement plan contributions for Hospital employees. The cumulative effect of adopting GASB Statement No. 75 was an $8,895,115 reduction in the Hospital's previously presented net position as of December 31, 2017. Additional information regarding the net OPEB liability, related deferrals and OPEB expense is provided in Note 14 within NOTE 22.

Note 4. Deposits and Investments

Deposits

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

Custodial credit risk

Custodial credit risk is the risk that, in the event of bank failure, the Hospital's deposits might not be recovered. Through December 31, 2018, Federal Deposit Insurance Corporation (FDIC) insurance for funds held in interest bearing accounts is $250,000 per depositor per category of legal ownership. Ohio Revised Code requires that deposits in excess of FDIC insured amounts are collateralized. The Hospital's investment policy does not address custodial credit risk, but it believes that the Hospital's depository bank carries sufficient collateral to cover the total amount of public funds on deposit with the bank (after FDIC coverage) and is in compliance with the requirements specified in Sections 135.18 and 135.181 of the Ohio Revised Code.

The bank balances of the Hospital's deposits at December 31, 2018, totaled $1,487,793, and were subject to the following categories of custodial credit risk:

	2018
Collateralized held by the counterparty's agent,	
but not in the Hospital's name	$ 579,477
Total amount subject to custodial risk	579,477
Amount insured	908,316
Total bank balances	$ 1,487,793

Investments – The Hospital

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

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

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

Note 4. Deposits and Investments (Continued)

The Hospital's investments generally are reported at fair value, as discussed in Note 2 within NOTE 22. At December 31, 2018, the Hospital had the following investments and maturities, and ratings (per Standard & Poor's), all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

		Investment Maturities	
		Less than 1 Year	1-5 Years
Certificates of Deposit	$ 256,894	$ 256,894	$ -
Money Market Funds			
AAA	260,939	260,939	-
Not rated	355,370	355,370	-
	$ 873,203	$ 873,203	$ -

Interest Rate Risk

The Hospital's investment policies limit investment portfolios to maturities of five years or less. All of the Hospital's investments at December 31, 2018, have effective maturity dates of less than five years.

Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Hospital's investment policy does not address custodial credit risk. For the year ended December 31, 2018, the Hospital is not exposed to custodial credit risk as it relates to its investment portfolio.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of investments in any issuer. This does not apply to obligations and agencies of the United States Treasury which are deemed to be "risk-free". The Hospital's investment policy requires that the portfolio be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. The Hospital believes that it is not exposed to any significant credit risk on investments.

Investments – The Foundation

As of December 31, 2018, the fair values of the Foundation's investments were as follows:

Mutual funds	$139,376
Exchange traded funds	155,096
Common stock	28,680
Certificates of deposit	575,341
Money market funds	225
Total investments	$898,718

The Foundation's investments are reflected in the statement of net position as follows at December 31, 2018:

Certificates of deposit - current assets	$ 298,933
Investments - current assets	323,377
Restricted investments - noncurrent assets	276,408
Total	$ 898,718

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

Note 4. Deposits and Investments (Continued)

The Foundation's investment income for the year ended December 31, 2018 consisted of the following:

Interest and dividends, net of investment management fees	$ 4,166
Net unrealized/realized gain (loss)	$ (21,257)
	$ (17,091)

Note 5. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital and Foundation have the ability to access.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

- Money markets – Valued based at the subscription and redemption activity at a $1 stable net asset value (NAV). However, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- U.S. government securities: Valued using pricing models maximizing the use of observable inputs for similar securities.
- Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.
- Exchange traded funds - Valued at the daily closing price as reported by the fund. Exchange traded funds held by the Foundation are funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The exchange traded funds held by the Foundation are deemed to be actively traded.
- Common stock – Valued at the closing price reported on the active market on which the individual securities are traded.

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

Note 5. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Hospital's assets at fair value as of December 31, 2018 and 2017. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

	Level 1	Level 2	Level 3	Total
Money market funds	$ -	$ 616,309	$ -	$616,309
	$	$ 616,309	$	$616,309
Certificates of deposit				256,894
Total investments and certificates of deposit				$873,203

The Hospital's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels during 2018.

Foundation assets measured at fair value on a recurring basis as of December 31, 2018 are as follows:

	Level 1	Level 2	Level 3	Total
Money Market	$ -	$ 225	$-	$ 225
Mutual Funds				
Money market	5,534	-	-	5,534
Fixed income	35,322	-	-	35,322
Foreign large blend	17,164	-	-	17,164
Foreign large growth	8,089	-	-	8,089
Large growth	23,992	-	-	23,992
Large value	11,409	-	-	11,409
Mid-cap growth	24,918	-	-	24,918
Small value	12,948	-	-	12,948
Exchange traded funds				
Fixed income	52,285	-	-	52,285
Foreign large blend	28,567	-	-	28,567
Foreign small/mid blend	13,807	-	-	13,807
Large value	33,870	-	-	33,870
Mid-cap value	10,860	-	-	10,860
Small blend	15,707	-	-	15,707
Common stock:			-	
Energy	28,351		-	28,351
Financial services	329		-	329
	$ 323,152	$ 225	-	323,377
Certificates of deposit				575,341
Total investments and certificates of deposit				$ 898,718

The Foundation's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels during 2018.

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

Note 6. Capital Assets

The Hospital: The Hospital's capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 255,120	$ -	$ (250,000)	$ 5,120
Construction in progress	880,565	12,941	(876,015)	17,491
Total nondepreciated capital assets	1,135,685	12,941	(1,126,015)	22,611
Depreciable capital assets:				
Land improvements	513,647	-	-	513,647
Buildings and improvements	17,340,445	173,288	-	17,513,733
Equipment	16,249,368	3,013,047	876,015	20,138,430
Total depreciated capital assets	34,103,460	3,186,335	876,015	38,165,810
Less accumulated depreciation				
Land improvements	(309,110)	(36,080)		(345,190)
Buildings and improvements	(9,639,405)	(607,381)		(10,246,786)
Equipment	(13,136,435)	(1,439,231)		(14,575,666)
Total accumulated depreciation	(23,084,950)	(2,082,692)	-	(25,167,642)
Total depreciable capital assets, net	11,018,510	1,103,643	876,015	12,998,168
Total capital assets, net	$ 12,154,195	$ 1,116,584	$ (250,000)	$ 13,020,779

Total depreciation expense related to the Hospital's capital assets for 2018 was $2,082,692.

The Foundation: The Foundation's capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 161,834	$ 882,244	$ -	$ 1,044,078
Total nondepreciated capital assets	161,834	882,244	-	1,044,078
Depreciable capital assets:				
Buildings and improvements	778,490	1,045,710	-	1,824,200
Equipment	12,421	-	-	12,421
Total depreciated capital assets	790,911	1,045,710	-	1,836,621
Less accumulated depreciation				
Buildings and improvements	(389,117)	(32,091)		(421,208)
Equipment	(12,421)	-		(12,421)
Total accumulated depreciation	(401,538)	(32,091)	-	(433,629)
Total depreciable capital assets, net	389,373	1,013,619	-	1,402,992
Total capital assets, net	$ 551,207	$ 1,895,863	$ -	$ 2,447,070

Total depreciation expense related to the Foundation's capital assets for 2018 was $32,091.

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

Note 7. Line of Credit

The Hospital has a $1,000,000 line of credit with a bank that is collateralized by all patient accounts receivable. The line of credit is due on demand. There was a $400,000 balance outstanding at December 31, 2018. Interest on the line of credit is payable at a variable rate of prime plus 1.04% (6.29% at December 31, 2018). The Hospital borrowed $600,000 during fiscal year 2018 and repaid $15,000 leaving an outstanding balance of $585,000 at December 31, 2018.

Note 8. Long-Term Debt and Capital Lease Obligations

Information regarding the Hospital's long-term debt and capital lease activity and balances as of and for the year ended December 31, 2018 is as follows:

	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
1999 County Hospital Refunding & Improvement Bond Series	$ 375,000	$ -	$ (185,000)	$ 190,000	$ 190,000
Note payable, OAQDA	1,764,227	-	(115,706)	1,648,521	119,236
Note payable, OSUWMC	-	2,130,549	-	2,130,549	921,118
Capital lease obligations	1,668,465	255,336	(552,195)	1,371,606	459,764
	3,807,692	2,385,885	(852,901)	5,340,676	1,690,118
Bond discount	(4,560)	-	2,365	(2,195)	(2,195)
Total debt	$ 3,803,132	$2,385,885	$ (850,536)	$5,338,481	$1,687,923

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

During 2016, the Hospital signed two note payable agreements with the Ohio Air Quality Development Authority (OAQDA) totaling $1,918,748 utilizing the proceeds to make energy efficient capital improvements to the Hospital. The first note, which totaled $1,000,000, bears interest at 4.25%, with interest payments through December 1, 2030 due semi-annually. Annual principal payments begin December 1, 2024 with the final payment due December 1, 2030. The second note, which totaled $918,748, bears interest at 3.05% with annual principal and interest payments beginning December 1, 2016 through December 1, 2024. At December 31, 2018, the balance outstanding under these note payable agreements was $1,648,521.

During 2018, the Hospital signed a note payable agreement with The Ohio State University Wexner Medical Center (OSUWMC) totaling $2,130,549 utilizing the proceeds to implement a new electronic medical record system at the Hospital. The note includes imputed interest at 5.25% with monthly payments beginning January 1, 2018 through March 31, 2022. At December 31, 2018, the balance outstanding under this note payable agreement was $2,130,549. See Note 17 within NOTE 22 for further discussion.

Capital lease obligations have varying rates of imputed interest ranging from 1.00% to 8.20%. The obligations are collateralized by leased equipment and mature at varying amounts through 2023. The Hospital's cost of equipment under capital lease included in capital assets as of December 31, was as follows:

	2018
Cost of equipment under capital lease	$ 2,523,494
Accumulated amortization	(1,087,637)
	$ 1,435,857

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

Note 8. Long-Term Debt and Capital Lease Obligations (Continued)

Long-term debt and capital lease obligation payment requirements for the Hospital for fiscal years subsequent to December 31, 2018, are as follows:

	Capital Lease Obligation			Long-Term Debt		
	Principal	Interest	Total	Principal	Interest	Total
2019	$ 459,764	$ 55,807	$ 515,571	$ 1,228,159	$ 71,002	$ 1,299,161
2020	425,266	34,361	459,627	663,916	58,331	722,247
2021	267,875	17,244	285,119	697,001	54,574	751,575
2022	185,769	5,389	191,158	228,488	50,702	279,190
2023	32,932	807	33,739	134,461	46,712	181,173
Thereafter	-	-	-	1,014,850	171,291	1,186,141
	$ 1,371,606	$ 113,608	$ 1,485,214	$ 3,966,875	$ 452,612	$ 4,419,487

Information regarding the Foundation’s long-term debt activity and balances as of and for the year ended December 31, is as follows:

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance	Due Within One Year
Commercial loan	$ -	$ 1,080,000	$ (24,560)	$ 1,055,440	$ 37,828
Total debt	$ -	$ 1,080,000	$ (24,560)	$ 1,055,440	$ 37,828

During 2018, the Foundation signed a note payable agreement with Citizens Bank of Logan totaling $1,080,000 utilizing the proceeds to purchase a new Medical Arts Building. The note bears interest at 3.77% with annual principal and interest payments beginning April 18, 2018 through April 18, 2038. Beginning on April 18, 2023, the interest rate is subject to change annually based on the weekly average yield of Unity States treasury securities. At December 31, 2018, the balance outstanding under this note payable agreement was $1,055,440.

Long-term debt obligation payment requirements for fiscal years subsequent of December 31, 2018, are as follows:

	Principal	Interest	Total
2019	$ 37,828	$ 39,145	$ 76,973
2020	39,279	37,694	76,973
2021	40,786	36,188	76,974
2022	42,350	34,623	76,973
2023	43,974	32,999	76,973
Thereafter	851,223	472,566	1,323,789
	$ 1,055,440	$ 653,215	$ 1,708,655

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

Note 9. Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	2018
Gross patient accounts receivable	$13,304,023
Less allowance for:	
Uncollectible accounts	(1,614,368)
Contractual adjustments	(6,108,851)
Net patient accounts receivable	$ 5,580,804

The Hospital provides services without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of net receivables from patients and third-party payors was as follows:

	2018	
	Accounts Receivable	Gross Revenue
Medicare	32%	48%
Medicaid	16%	25%
Commercial	21%	24%
Self-pay	31%	3%
	100%	100%

Note 10. Estimated Amounts Due from Third-Party Payors

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

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

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

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

Note 10. Estimated Amounts Due from Third-Party Payors (Continued)

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

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

In 2018, approximately 48% of the Hospital's total gross patient revenue was derived from Medicare patients while 25% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance payments.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined. Management has determined that there was $425,782 due from third party payors as of December 31, 2018. There is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Differences between the estimated amounts accrued at interim and final settlements are reported in the statement of revenues, expenses and changes in net position in the year of settlement. The Hospital recorded favorable adjustments of $686,169 in 2018.

Note 11. Net Patient Service Revenues

	2018
Revenue:	
Inpatient	$ 17,448,967
Outpatient	68,783,333
Total patient revenue	$ 86,232,300
Revenue deductions:	
Contractual allowances	49,772,526
Provision for bad debts	2,644,769
Charity care	734,662
Total deductions	53,151,957
Total net patient service revenue	$ 33,080,343

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

Note 12. Other Liabilities

Risk management: The Hospital is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; business interruptions; errors and omissions; injuries to employees; and natural disasters. The Hospital has purchased commercial insurance for malpractice, general liability and employee medical claims. For medical malpractice, the Hospital has professional liability insurance with a commercial carrier. Coverage is $1,000,000 per occurrence and $3,000,000 in the annual aggregate. In addition, the Hospital has umbrella coverage of $2,000,000 per occurrence. The policy also requires that certain members of the medical staff carry professional liability coverage of no less than $1,000,000 per occurrence and $3,000,000 in the annual aggregate. The Hospital's coverage is on a claims made basis. Settled claims for medical malpractice have not exceeded insurance coverage in any of the past five years. Losses from asserted and unasserted claims identified under the Hospital's incident reporting systems are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. There is no liability for medical malpractice at December 31, 2018.

Employee health insurance: The Hospital provides health insurance to participating employees under a plan that is partially self-insured. The plan is covered by a stop-loss policy that covers specific items over $100,000. An estimate of incurred but unpaid claims has been determined as of December 31, 2018 based on historical experience. The liability for estimated self-insured employee health claims includes estimates of the ultimate costs for both reported claims and incurred but not reported claims. Activity and balances for the year ended December 31, 2018 is as follows:

	Beginning Liability	Claims Incurred	Claims Paid	Ending Liability
2018	$ 327,456	$ 3,485,462	$ 3,233,057	$ 579,861

Note 13. Endowment

Donor-Restricted – Expendable for Various Purposes: The Foundation has funds, which have been donated for specific purposes. The funds must be used for the donor specified purpose. Donor-restricted assets that are expendable for various purposes were approximately $137,000 as of December 31, 2018.

Donor-Restricted – Nonexpendable Endowments: The Foundation maintains several permanent funds with donor-restricted endowments that totaled approximately $139,236 at December 31, 2018. It is the Foundation's policy to transfer from the endowment funds to available funds an amount not to exceed 75% of the total return earned by the endowment. In this way, a portion of the total return will be added back to the principal of the fund to provide growth of the fund. The transfer of available funds shall also be limited in such a manner as to not decrease the designated principal of the fund. Available funds earned that are required to maintain the principal will not be transferred.

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

Note 14. Retirement Plans and Other Post-Employment Benefits (OPEB)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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 meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. Please see the Plan Statement in the OPERS 2017 Comprehensive Annual Financial Report for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

In accordance with GASB Statement No. 68 and 75, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension and OPEB liabilities and assets of the plans. Although changes in the net pension liabilities and assets generally are recognized as expense in the current period, certain items are deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 10 years).

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

Note 14. Retirement Plans and Other Post-Employment Benefits (OPEB) (Continued)

The collective net pension asset and liability of the retirement systems and the Hospital's proportionate share of the net pension asset and liability as of December 31 are as follows:

	2018
Net pension liability - all employers	$ 15,688,061,327
Proportion of the net pension liability - Hospital	0.09125%
	$ 14,315,199
Net pension asset - all employers	$ 139,622,518
Proportion of the net pension asset - Hospital	0.07782%
	$ 108,650

Pension expense for the year ended December 31, 2018 was $1,234,031.

The collective net OPEB liability of the retirement systems (GASB 75) and the Hospital's proportionate share of the net OPEB liability as of December 31 are as follows:

	2018
Net OPEB liability – all employees	$10,859,263,395
Proportion of the net OPEB liability-Hospital	0.089320%
	$ 9,699,494

Other postemployment benefits expense, relating to GASB 75, for the year ended December 31, 2018 was $822,682.

At December 31, 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	**OPERS**
Differences between expected and actual economic experience	$ 17,970
Changes of assumptions	1,720,311
Changes in proportionate share	5,441
Difference between Hospital contributions and proportionate share of contributions	60,180
Hospital contributions subsequent to the measurement date	1,708,023
Total	$3,511,925

Deferred Inflows of Resources	**OPERS**
Differences between expected and actual economic experience	$ 313,962
Differences between projected and actual investment earnings	3,090,640
Changes in proportionate share	94,822
Difference between Hospital contributions and proportionate share of contributions	3,235
Total	$3,502,659

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

Note 14. Retirement Plans and Other Post-Employment Benefits (OPEB) (Continued)

At December 31, 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$7,556
Changes of assumptions	706,226
Total Deferred Outflows of Resources	$713,782
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$722,548
Difference between Hospital contributions and proportionate share of contributions	9,537
Total Deferred Inflows of Resources	$732,085

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending December 31, as follows:

Year Ending December 31:	OPERS
2019	($1,247,476)
2020	322,611
2021	1,352,535
2022	1,270,311
2023	1,381
Thereafter	(605)
Total	$1,698,757

Net deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense during the years ended December 31 as follows:

Year Ending December 31:	OPERS
2019	($156,064)
2020	(156,064)
2021	149,795
2022	180,636
Total	$18,303

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

Note 14. Retirement Plans and Other Post-Employment Benefits (OPEB) (Continued)

Statutory Authority: Ohio Revised Code Chapter 145

Pension: Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

OPEB: The ORC permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the connector, and may be eligible for monthly allowances deposited to a health reimbursement account to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The OPERS determines the amount, if any of the associated health care costs that will be absorbed by the OPERS and attempts to control costs by using managed care, case management, and other programs.

Contribution Rates: The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar year 2018. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2019 remained consistent at 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2018 was 4.0%.

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

Note 14. Retirement Plans and Other Post-Employment Benefits (OPEB) (Continued)

Cost-of-Living Adjustments: Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual cost-of-living adjustment is provided on the member's base pension benefit at the date of retirement and is not compounded. For those members retiring under the Combined Plan will receive a 3% cost-of-living adjustment for benefit portion of their pension benefit. Current law provides for a 3% cost-of-living adjustment for benefit recipients retiring prior to January 7, 2013. For those benefit recipients retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the cost-of-living adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Measurement Date: December 31, 2017 (OPEB is rolled forward from December 31, 2016 actuarial valuation date)

Actuarial Assumptions:

Valuation Date: December 31, 2017 for pension and December 31, 2016 for OPEB
Rolled Forward Measurement Date: December 31, 2017 for OPEB
Actuarial Cost Method: Individual entry age
Investment Rate of Return: 7.50% for pension and 6.5% for OPEB
Inflation: 3.25%
Projected Salary Increases: 3.25% - 10.75%
Cost-of-Living Adjustments: 3.00% Simple – for those retiring after January 7, 2013, 3.00% Simple through 2018, then 2.15% Simple.
Health Care Cost Trends: 7.5% initial; 3.25% ultimate

Mortality Rates: Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale.

Date of Last Experience Study: December 31, 2015

Investment Return Assumptions: The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

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

Note 14. Retirement Plans and Other Post-Employment Benefits (OPEB) (Continued)

The following table displays the Board-approved asset allocation policy for defined benefit pension assets for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.40
Real Estate	10.00	5.30
Private Equity	10.00	9.00
International Equities	20.00	7.90
Other investments	18.00	5.30
Total	100.00 %	

The following table displays the OPERS Board-approved asset allocation policy for health care assets for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.90 %
Domestic Equities	21.00	6.40
Real Estate	6.00	5.90
International Equities	22.00	7.90
Other investments	17.00	5.40
Total	100.00 %	

Discount Rate -Pension: The discount rate used to measure the total pension liability was 7.5% for both the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate -OPEB: A discount rate of 3.85% was used to measure the total OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contribution for use with the long-term expected rate were not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contributions rate. Based on those assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

Note 14. Retirement Plans and Other Post-Employment Benefits (OPEB) (Continued)

Health Care Cost Trend Rate

A health care cost trend rate of 7.5% was used to measure the total OPEB liability on the measurement date of December 31, 2017. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.5%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near wage inflation (3.25%).

Benefit Term Changes Since the Prior Measurement Date

For pension benefit recipients retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the cost-of-living adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Sensitivity of the Proportionate Share of the Net Pension/OPEB Liability/Asset to Changes in the Discount Rate

The following table presents the proportionate share of the net pension/OPEB liability (asset) calculated using the current period discount rate assumption of 7.5 percent, as well as what the proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5percent) than the current rate:

Sensitivity of Net Pension Liability to Changes in Discount Rate

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Hospital's proportionate share of the net pension liability	$25,420,146	$14,315,199	$5,057,020

Sensitivity of Net Pension Asset to Changes in Discount Rate

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Hospital's proportionate share of the net pension asset	$67,996	$108,650	$143,067

Sensitivity of Net OPEB Liability to Changes in Discount Rate

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Hospital's proportionate share of the net OPEB liability	$12,886,196	$9,699,494	$7,121,484

Sensitivity of Net OPEB Liability to Changes in Health Care Cost Trend Rate

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Hospital's proportionate share of the net OPEB liability	$9,280,348	$9,699,494	$10,132,461

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

Note 15. Related Parties

Hocking Valley Community Hospital Memorial Fund, Inc.: The Hospital is the primary beneficiary of The Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation). The Foundation is a separate not-for-profit entity organized for the purpose of soliciting funds for the benefit of the Hospital.

The Hospital entered into a 10-year non-cancelable lease with the Foundation for the Medical Arts Building that expires in September 2018. The Foundation Board of Trustees made a resolution in 2016 to forgive rent owed by the Hospital and forego charging rent moving forward.

Hocking Valley Medical Group, Inc. (HVMG): HVMG is organized as a separate not-for-profit stock professional corporation. The purpose of HVMG is to engage in the practice and to render the professional services of medicine and to further the charitable purposes of the Foundation and the Hospital. The financial activities of HVMG are not consolidated with that of the Foundation because of the absence of the criteria, control and economic interest, that would require consolidation.

During the year ended December 31, 2018, the Hospital disbursed funds totaling $3,415,000 on behalf of HVMG to fund operating deficits. This amount was paid to the Foundation, who acting as fiscal agent, remitted the funds to HVMG. As of December 31, 2018, the Hospital has a receivable from HVMG of $79,345. This receivable is included in prepaid expenses and other assets on the Statements of Net Position.

During the year ended December 31, 2018, the Foundation entered into a rental agreement with HVMG; refer to Note 16 in NOTE 22 for more information.

Hocking Valley Health Services: Hocking Valley Health Services (HVHS) is a not-for-profit membership corporation located in Logan, Ohio. The purpose of HVHS is to provide healthcare and physician services and to own, lease, operate and/or provide healthcare facilities for the promotion of health in the area served by the Hospital. Additionally, HVHS is to conduct strategic healthcare planning and otherwise operate exclusively for the benefit and support of the Board of Trustees of the Hospital. The Board of Trustees of HVHS is elected by HVHS' members. The Board of Trustees of the Hospital controls 50% of the voting rights of the HVHS Board. HVHS has not entered into any financial activities as of or for the year ended December 31, 2018. Therefore, the Hospital's financial statements exclude the activities of HVHS.

Note 16. Rental Agreements

In May 2018, the Foundation entered into an agreement with Hocking Valley Medical Group, Inc. and Jeffrey A. Blankenbeckler, D.D.S., LTD to rent property to be used as office space from May 2018 to April 2021. As of December 31, 2018, $51,297 has been recognized as rental income. A schedule of the remaining minimum rental payments is below:

Year Ended December 31,	
2019	$96,000
2020	96,000
2021	32,000
	$224,000

The related cost and accumulated depreciation for the leased asset as of December 31, 2018 is as follows:

	2018
Land	$792,454
Building	916,499
Less: Accumulated Depreciation	11,444
	$1,697,509

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

Note 17. Software Licensing Agreement

In December 2016, Hocking Valley Community Hospital entered into an agreement with The Ohio State University Wexner Medical Center (OSUWMC) to transition from the current Electronic Medical Record (HER) to the Epic platform.

This agreement provided for the use of the system for a period of ten years. The initial implementation cost of $2,959,273, payable to OSUWMC, are to be paid in equal monthly installments over sixty months beginning in March 2017. In March 2018, when the system went live, the remaining balance of $2,130,549 was converted to a note payable due in February 2022. See Note 8 within NOTE 22 for additional information. The implementation costs are considered an intangible asset and are included in capital assets on the consolidated balance sheets. The implementation costs are being amortized on a straight-line basis over the ten year term of the agreement.

Beginning in March 2017, the Hospital began making monthly maintenance expense payments of $62,138 for a period of ten years. The monthly maintenance expense is subject to adjustment annually based on volumes and other factors. Management does not anticipate substantial adjustments to the maintenance expense over the remaining term of the contract.

Note 18. Going Concern Issues Arising from Recurring Losses and Management's Plans

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of the Hospital as a going concern. The Hospital had an operating loss of $2,283,661 and $1,261,221 for 2018 and 2017, respectively. The Hospital also had a total decrease in net position of $5,941,573 and $4,513,322 for 2018 and 2017 respectively. $2,056,712 and $2,523,961 of the decrease in net position related to GASB 68 and GASB 75 in 2018 and 2017, respectively. The Hospital's current liabilities exceed their current assets at December 31, 2018. These factors could be indicative of the Hospital's inability to continue as a going concern.

The Hospital has taken steps to reduce costs and increase efficiency and productivity. In 2018, the Hospital implemented a new EHR system, EPIC, which will lead to estimated annual cost savings of $910,700 through efficiency and eliminating the need for outside IT consultants. The Hospital also estimates savings of $1,662,000 through staffing reduction and changes, modification in urgent care hours, the discontinuation of unprofitable service lines, and increases in productivity due to EPIC. There were also changes made to employee health insurance, which reduced annual costs by $469,000. Altogether, the Hospital estimates to have annual cost savings of $3,097,000.

The Hospital also identified opportunities to increase revenue by approximately $2,800,000 through the Ophthalmology Clinic that began operations in August 2018, increasing swingbed capacity by seven beds, declaring Method II Designation which increases contract providers professional fees to 115% of the Medicare Fee Schedule, and increased provider coverage in Pain Management. The Hospital also implemented monthly department reviews with senior leaders in January 2019 to identify opportunities and review expenses.

Management is exploring partnership opportunities with a Federally Qualified Health Center for Hocking Valley Medical Group and/or applying for Rural Health Clinic (RHC) designation. RHC designation would be expected to lead to increased reimbursement. The Hospital will also evaluate the process for privatization.

It is not possible at this time to predict the success of the Hospital's future plans, and there is no assurance that these plans will be realized. The Hospital's continued existence is dependent on its ability to achieve profitable operations, positive cash flows, and to maintain adequate financing.

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

Note 19. Recent GASB Pronouncements

Management has not currently determined what effects, if any, the implementation of the following recently enacted statements may have on its future financial statements. Only GASB's which may impact fiscal year 2019 reporting are denoted below:

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for periods beginning after December 15, 2018. This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement will enhance consistency and comparability of the consolidated financial statements.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for periods beginning after December 15, 2019. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, issued March 2018, will be effective for periods beginning after June 15, 2018. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

NOTE 23 - COMMITMENTS

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Major Funds:	
General	$110,108
Motor Vehicle Gas Tax	377,466
Board of Developmental Disabilities	69,642
Emergency Medical Services	86,643

NOTE 24 – SPECIAL ITEMS

Special Items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. During 2018, the County negotiated on behalf of the County and other governments in the County and received a settlement from Columbia Gas for damages to various roads of local governments in the County. The settlement was in the amount of $1,535,208 and was recorded as a special item in the fund and government wide financial statements. The County disbursed $1,275,003 to various governments in the County for their share of the settlement and recorded this as a special item in the fund and government wide financial statements.

NOTE 25 – SUBSEQUENT EVENTS

The County has issued several loans subsequent to December 31, 2019 related to improvements to their sewer systems throughout the County. Loan # 8231 is made through the EPA Water Pollution Control Fund and is administered by OWDA and relates to the Carbon Hill Sewer Facilities and consisted of a 30 year 0% interest loan with a total loan amount of $479,233; however, no monies had been disbursed on this portion of the loan as of the date of this report. The other portion of this loan is a principal forgiveness loan of which $660,308 has been issued and repaid through grants as of the date of this report.

Loan # 8272 is made through the EPA Water Pollution Control Fund and is administered by OWDA and relates to the Murray City Sewer Facilities and consisted of a 45 year 0% interest loan with a total loan amount of $2,042,208; $1,152,965 had been disbursed on this portion of the loan as of the date of this report. The other portion of this loan is a principal forgiveness loan of which $957,479 has been issued and repaid through grants as of the date of this report.

Loan # 8478 is a $300,000 5 year 3.34% loan with OWDA with a final repayment date of January 1, 2025 and relates to improvements within the County's sanitary sewer system. $2,823 has been expended on this loan as of the date of this report.

Loan # 8012 is made through the EPA Water Pollution Control Fund and is administered by OWDA and relates to the improvements to septic systems within the County and consisted of a principal forgiveness loan with a total estimated loan amount of $200,000 of which $79,929 has been issued and repaid through grants as of the date of this report.

Loan # 8617 is made through the EPA Water Pollution Control Fund and is administered by OWDA and relates to construction of a force main from Rockbridge to the City of Logan. This loan is in the amount of $266,216 at an interest rate of 1.62% for a 30 year period with a final payment date of January 1, 2051. $42,463 has been expended on this loan as of the date of this report

The County also approved an application through the EPA Water Pollution Control fund for a loan of $1,144,125 with a supplemental principal forgiveness loan of $683,450 for the Union Furnace Sewer Project. No monies had been expended on this loan as of the date of this report.

The County also has entered into a $197,000 loan with OPWC which is at a 0% interest rate for a 10 year period for improvements to Ohio Avenue Bridge. $45,317 has been expended on this loan as of the date of this report.

Hocking County
Required Supplementary Information
Schedule of the County's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Five Years

	2018	2017	2016	2015	2014 (1)
Total plan pension liability	$ 102,273,912,351	$ 99,811,932,954	$ 91,534,580,978	$ 89,017,348,266	$ 86,407,229,435
Plan net position	86,585,851,024	77,109,633,485	74,213,320,352	76,956,230,642	74,618,532,269
Net pension liability	15,688,061,327	22,702,299,469	17,321,260,626	12,061,117,624	11,788,697,166
County's proportion of the net pension liability	0.074493%	0.074077%	0.074457%	0.072659%	0.072659%
County's proportionate share of the net pension liability	$ 11,686,507	$ 16,817,800	$ 12,896,891	$ 8,763,488	$ 8,565,549
County's covered-employee payroll	$ 9,320,708	$ 10,004,975	$ 9,626,767	$ 8,926,300	$ 9,641,546
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	125.38%	168.09%	133.97%	98.18%	88.84%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.
Amounts presented as of the County's measurement
date which is the prior fiscal year.

Hocking County
Required Supplementary Information
Schedule of the County's Pension Contributions
Ohio Public Employees Retirement System
Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 1,477,488	$ 1,211,692	$ 1,200,597	$ 1,155,212	$ 1,071,156	$ 1,253,401	$ 1,442,139	$ 1,496,126	$ 1,437,885	$ 1,439,900
Contributions in relation to the contractually required contribution	(1,477,488)	(1,211,692)	(1,200,597)	(1,155,212)	(1,071,156)	(1,253,401)	(1,442,139)	(1,496,126)	(1,437,885)	(1,439,900)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County's covered-employee payroll	$ 10,553,486	$ 9,320,708	$ 10,004,975	$ 9,626,767	$ 8,926,300	$ 9,641,546	$ 14,421,390	$ 14,961,260	$ 15,976,500	$ 16,940,000
Contributions as a percentage of covered employee payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.50%

Changes to Benefit Terms: There were no changes in benefit terms affecting the OPERS plan for the plan year ended December 31, 2017.

Changes of Assumptions (OPERS): During the plan year ended December 31, 2017, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.25-10.75 percent. The mortality tables used changed from RP-2000 to RP-2014.

Hocking County

Required Supplementary Information

Schedule of the County's Proportionate Share of the Net OPEB Liability

Ohio Public Employees Retirement System

Last Two Years (1)

	2018	**2017**
Total plan OPEB liability	$ 23,678,097,060	$ 21,980,827,536
Plan net position	12,818,833,665	11,880,487,863
Net OPEB liability	10,859,263,395	10,100,339,673
County's proportion of the net OPEB liability	0.07157000%	0.07211000%
County's proportionate share of the net OPEB liability	$ 7,771,975	$ 7,283,355
County's covered-employee payroll	$ 9,320,708	$ 10,004,975
County's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	83.38%	72.80%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

(1) Information prior to 2017 is not available.
Amounts presented as of the County's measurement
date which is the prior fiscal year.

Hocking County
Required Supplementary Information
Schedule of the County's OPEB Contributions
Ohio Public Employees Retirement System
Last Three Years (1)

	2018	2017	2016
Contractually required contribution	$ -	$ 99,968	$ 193,326
Contributions in relation to the contractually required contribution	-	(99,968)	(193,326)
Contribution deficiency (excess)	$ -	$ -	$ -
County covered-employee payroll	$ 10,553,486	$ 9,320,708	$ 10,004,975
Contributions as a percentage of covered-employee payroll	0.00%	1.00%	2.00%

(1) Information prior to 2016 is not available.

Notes to Required Supplementary Information - OPEB

Changes to Benefit Terms: There were no changes in benefit terms affecting the OPERS plan for the plan year ended December 31, 2017.

Changes of Assumptions (OPERS): The single discount rate changed from 4.23% to 3.85% for the plan year ended December 31, 2017.

Hocking County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2018

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Passed Through to Subrecipients	Disbursements
United States Department of Agriculture				
Passed Through Ohio Department of Natural Resources:				
Forest Service Schools and Roads Cluster	N/A	10.665	$ 15,984	$ 31,968
Total Forest Services Schools and Roads Cluster			15,984	31,968
Total United States Department of Agriculture			**15,984**	**31,968**
United States Department of Housing and Urban Development				
Passed Through Ohio Development Services Agency:				
Community Development Block Grants:				
Community Development Block Grants/State's program and non-entitlement grant in Hawaii	B-F-17-1BH-1	14.228	-	86,750
Community Development Block Grants/State's program and non-entitlement grant in Hawaii	B-X-17-1BH-1	14.228	-	300,000
Total Community Development Block Grants			-	386,750
Total United States Department of Housing and Urban Development			-	**386,750**
United States Department of Interior				
Passed Through Ohio Department of Natural Resources:				
National Forest Acquired Lands	N/A	15.438	96,727	193,454
Total United States Department of Interior			**96,727**	**193,454**
U.S. Department of Justice				
Direct Program:				
Comprehensive Opioid Abuse Site-Based Program	N	16.838	-	10,296
Passed through the Ohio Attorney General:				
Crime Victim Assistance	2019-VOCA-132135081	16.575	-	39,251
Crime Victim Assistance	2018-VOCA-109857435	16.575	-	104,791
Total Crime Victim Assistance			-	144,042
Passed through Ohio Office of Criminal Justice Services:				
Edward Byrne Justice Assistance Grant Formula Program	2014-JG-A02-V6047	16.738	-	3,005
Edward Byrne Justice Assistance Grant Formula Program	2017-JG-LLE-5868	16.738	-	10,285
Total Edward Byrne Justice Assistance Grant Formula Program			-	13,290
Violence Against Women Formula Grants	2017-WF-VA2-8923	16.588	-	35,307
Total United States Department of Justice			**-**	**202,935**
United States Department of Transportation				
Passed Through the Ohio Emergency Management Agency:				
Interagency Hazardous Materials Public Sector Training and Planning Grants	HM-HMP-0531-16-01-00	20.703	-	2,400
Total United States Department of Transportation			**-**	**2,400**
United States Department of Education				
Passed through the Ohio Department of Developmental Disabilities:				
Early Intervention Services (IDEA) Cluster:				
Special Education - Grants for Infants and Families	H181A160024	84.181	-	19,375
Special Education-Grants for Infants and Families	H181A170024	84.181	-	5,245
Total Early Intervention Services (IDEA) Cluster			-	24,620
Total United States Department of Education			-	**24,620**
United States Department of Homeland Security				
Passed Through Ohio Emergency Management Agency:				
Emergency Management Performance Grant	EMC-2017-EP-00006-S01	97.042	-	39,307
Total United States Department of Homeland Security			-	**39,307**
United States Department of Health and Human Services				
Passed Through Ohio Department of Developmental Disabilities:				
Medicaid Cluster:				
Medical Assistance Program	N/A	93.778	-	134,090
Total Medicaid Cluster			-	134,090
Passed Through Ohio Department of Developmental Disabilities:				
Social Services Block Grant	N/A	93.667	-	10,395
Total United States Department of Health and Human Services			-	**144,485**
Total Federal Awards Expenditures			***$112,711***	***$1,025,919***

N/A - pass-through entity number not available.
N - direct federal grant.

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

Note A – Basis of Presentation

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal award activity of Hocking County (the County) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

Note B – Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C – Matching Requirements

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

Note D – Board of Developmental Disabilities

During the calendar year, the County Board of Developmental Disabilities received a settlement payment for the 2014 Cost Report from the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) in the amount of $12,253. The Cost Report Settlement payment was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Schedule of Federal Awards Expenditures since the underlying expenses occurred in prior reporting periods.

Note E – Subrecipients

The County passes through certain federal awards received from the Ohio Department of Natural Resources to other governments or not-for-profit agencies (subrecipients). The County reports expenditures of federal awards to subrecipients when paid in cash.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure that they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Hocking County, Ohio (the County) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 21, 2019, wherein we noted the County adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" and restated beginning net position as a result of this implementation. Our report includes a reference to another auditor who audited the financial statements of Hocking Valley Community Hospital, as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

Compliance and Other Matters

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

Purpose of this Report

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

Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

August 21, 2019

Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Hocking County's, Ohio (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2018. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the County's major federal program for the year ended December 31, 2018.

Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Millhuff-Stang CPA, Inc.

Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

August 21, 2019

Section I – Summary of Auditor's Results

Financial Statements	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major federal program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal program(s):	Community Development Block Grant/State's Program, CFDA #14.228
Dollar threshold used to distinguish between type A and type B programs:	Type A: >$750,000 Type B: all others
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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OHIO AUDITOR OF STATE
KEITH FABER

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
DECEMBER 19, 2019

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
www.ohioauditor.gov