Hocking County, Ohio

Basic Financial Statements

As of and for the Year Ended
December 31, 2017

Presented by: Kenneth Wilson, Hocking County Auditor

bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

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Hocking County
Table of Contents
For the Year Ended December 31, 2017

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CERTIFIED PUBLIC ACCOUNTANTS

May 29, 2018

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

Management is responsible for the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hocking County, Ohio as of and for the year ended December 31, 2017, which collectively comprise Hocking County's basic financial statements as listed in the table of contents. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management, and we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management's Discussion and Analysis on pages 3 through 11, the Schedule of the County's Proportionate Share of the Net Pension Liability on page 85, and the Schedule of County Contributions on pages 86 are not a required part of the basic financial statements but are required supplementary information the Government Accounting Standards Board requires. Such information, although not a part of the financial statements, is presented by the Board who considers it to be an essential part of financial reporting and for placing the financial statements in an appropriate operational, economic, or historical context. The supplementary information has been compiled by us without audit or review and we do not express an opinion, a conclusion, nor provide any assurance on this information.

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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, 2017. 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 2017 are as follows:

Overall:

Total net position decreased $657,388 primarily due to governmental activities changes.

Total revenue was $24,549,542 in 2017.

Total program expenses were $25,206,980 in 2017.

Governmental Activities:

Total revenue was $24,368,838 in 2017, while program expenses were $25,008,443.

Program expenses were primarily composed of health, public works, public safety, legislative and executive, judicial, and human services, where expenses were $6,581,705, $4,081,015, $6,057,553, $2,863,807, $2,892,886, and $1,544,041, respectively, in 2017.

Business-Type Activities:

Program revenues were $180,754 for business-type activities, while corresponding expenses were $198,537.

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 2017?" 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 component units 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 8. Fund financial statements provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, the Motor Vehicle Gas Tax Fund, the 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 2017 compared to the prior year:

Table 1

Net Position

	Governmental Activities		Business-Type Activities		Totals	
Assets	2017	2016	2017	2016	2017	2016
Current & Other Assets	$ 23,198,269	$ 23,310,905	$ 236,192	$ 237,623	$ 23,434,461	$ 23,548,528
Capital Assets, Net	29,484,885	27,214,788	1,022,105	994,889	30,506,990	28,209,677
Total Assets	52,683,154	50,525,693	1,258,297	1,232,512	53,941,451	51,758,205
Deferred Outflows of Resources						
Pensions	6,611,099	5,103,211	22,896	30,570	6,633,995	5,133,781
Liabilities						
Current and Other Liabilities	1,799,887	1,649,004	21,317	14,089	1,821,204	1,663,093
Non-Current Liabilities:						
Due within One Year	500,222	436,534	15,205	13,700	515,427	450,234
Due in More than One Year:						
Net Pension Liability	16,758,424	12,808,335	59,376	88,556	16,817,800	12,896,891
Other Amounts	1,359,231	1,480,423	448,995	391,334	1,808,226	1,871,757
Total Liabilities	20,417,764	16,374,296	544,893	507,679	20,962,657	16,881,975
Deferred Inflows of Resources						
Taxes	6,502,431	6,071,546	-	-	6,502,431	6,071,546
Pensions	168,437	247,521	352	1,672	168,789	249,193
Total Deferred Inflows of Resources	6,670,868	6,319,067	352	1,672	6,671,220	6,320,739
Net Position						
Net Investment in Capital Assets	27,377,087	25,350,994	545,888	589,855	27,922,975	25,940,849
Restricted	10,903,243	12,011,832	-	-	10,903,243	12,011,832
Unrestricted (Deficit)	(6,074,709)	(4,427,285)	190,060	163,876	(5,884,649)	(4,263,409)
Total Net Position	$ 32,205,621	$ 32,935,541	$ 735,948	$ 753,731	$ 32,941,569	$ 33,689,272

Total governmental assets increased by $2,157,461. The increase in total assets is primarily due to increases in capital assets. Capital assets in the governmental activities increased $2,270,097 from 2016 to 2017, due to additions which were partially offset by current year depreciation and disposals. Most of the capital asset additions were due to the Hall of Justice construction in 2017. Total assets in the business-type activities increased $25,785 from 2016 to 2017, primarily due to additions which were partially offset by depreciation expense. Current and Other Liabilities increased due to contracts payable related to the Hall of Justice construction. Deferred outflows of resources increased due to increases in the deferred outflow related to pension for the difference between projected and actual investment earnings and other actuarial factors. Total non-current liabilities increased $3,922,571 mostly due to an increase in the net pension liability, which was partially offset by payments on long-term debt. Deferred inflows of resources increased due to an increase to deferred inflows of resources related to property taxes.

Table 2 shows the changes in net position for fiscal year 2017 and 2016.

Table 2
Changes in Net Position

	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues:						
Charges for Services and Sales	$ 3,469,043	$ 165,953	$ 3,634,996	$ 3,630,649	$ 213,764	$ 3,844,413
Operating Grants and Contributions	7,213,004	7,188	7,220,192	7,192,797	-	7,192,797
Capital Grants and Contributions	649,748	7,613	657,361	541,252	3,880	545,132
Total Program Revenues	11,331,795	180,754	11,512,549	11,364,698	217,644	11,582,342
General Revenues:						
Property Taxes	5,660,323	-	5,660,323	5,341,813	-	5,341,813
Sales Taxes	4,445,130	-	4,445,130	4,288,875	-	4,288,875
Grants and Entitlements	2,594,648	-	2,594,648	1,496,329	-	1,496,329
Other Taxes	-	-	-	1,076,074	-	1,076,074
Interest Earnings	133,719	-	133,719	67,949	-	67,949
Gain on Sale of Capital Assets	16,006	-	16,006	-	-	-
Miscellaneous	187,217	-	187,217	259,552	-	259,552
Total General Revenues	13,037,043	-	13,037,043	12,530,592	-	12,530,592
Total Revenues	24,368,838	180,754	24,549,592	23,895,290	217,644	24,112,934
Program Expenses						
General Government:						
Legislative and Executive	2,863,807	-	2,863,807	3,832,089	-	3,832,089
Judicial	2,892,886	-	2,892,886	2,288,361	-	2,288,361
Public Safety	6,057,553	-	6,057,553	5,020,696	-	5,020,696
Public Works	4,081,015	-	4,081,015	3,731,815	-	3,731,815
Health	6,581,705	-	6,581,705	6,210,658	-	6,210,658
Human Services	1,544,041	-	1,544,041	1,569,871	-	1,569,871
Economic Development and Assistance	692,604	-	692,604	869,658	-	869,658
Conservation and Recreation	246,231	-	246,231	250,758	-	250,758
Interest and Fiscal Charges	48,601	-	48,601	48,196	-	48,196
Wastewater Treatment	-	198,537	198,537	-	275,260	275,260
Total Expenses	25,008,443	198,537	25,206,980	23,822,102	275,260	24,097,362
Change in Net Position	(639,605)	(17,783)	(657,388)	73,188	(57,616)	15,572
Net Position - Beginning of Year - As Restated	32,845,226	753,731	33,598,957	32,862,353	811,347	33,673,700
Net Position - End of Year	$ 32,205,621	$ 735,948	$ 32,941,569	$ 32,935,541	$ 753,731	$ 33,689,272

Governmental Activities

Governmental net position decreased $639,605 from 2016 to 2017. Total governmental activities revenues increased $473,548 due primarily to an increase in Grants and Entitlements revenue due to the increase in Medicaid Local Sales Tax Transition revenue, which is a one-time funding to assist counties due to the elimination of the permissive sales tax from Medicaid and Medicare. Operating grants increased primarily due to increases in the Community Development Block grants.

Total governmental activities expenses increased $1,186,341 primarily due to increases in public safety expenses ($1,036,857) and judicial expenses ($604,525), which was partially offset by the decrease in legislative and executive expenses ($968,282).

The County receives diverse types of revenues to provide for the vast number of programs provided by the County. Operating grants and contributions provide 30% of total revenues for governmental activities. Property taxes and sales taxes provide 23% and 18% of total revenues for governmental activities, respectively.

Health, public works, public safety, and general government legislative and executive comprise 26%, 16%, 24% and 11%, respectively, of total expenses for governmental activities.

The statement of activities shows the cost of program services and the charges for services and 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	
	2017	2016	2017	2016
General Government - Legislative and Executive	$ 2,863,807	$ 3,832,089	$ 1,918,323	$ 2,645,410
General Government - Judicial	2,892,886	2,288,361	1,721,631	1,349,071
Public Safety	6,057,553	5,020,696	4,445,216	3,621,209
Public Works	4,081,015	3,731,815	(193,379)	(366,363)
Health	6,581,705	6,210,658	4,367,638	3,886,956
Human Services	1,544,041	1,569,871	1,179,829	1,089,428
Economic Development and Assistance	692,604	869,658	55,012	51,670
Conservation and Recreation	246,231	250,758	211,063	208,253
Interest and Fiscal Charges	48,601	48,196	(28,685)	(28,230)
Total Expenses	$ 25,008,443	$ 23,822,102	$ 13,676,648	$ 12,457,404

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 decreased $47,811, operating grants and contributions increased $7,188, while capital grants and contributions increased $3,733, and wastewater treatment expenses decreased $76,723, resulting in a decrease in net position of $17,783. Charges for services and sales accounted for 92% of total revenues of $180,754.

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 $24,972,023 and expenditures and other uses of $25,670,189. The net change in fund balance for the year was most significant in the General Fund which experienced an increase in fund balance of $632,551 primarily due to an increase in intergovernmental revenue.

The Motor Vehicle Gas Tax Fund experienced a decrease in fund balance of $334,032 primarily due to an increase in public works expenditures and in capital outlay expenditures.

The Board of Developmental Disabilities Fund experienced an increase in fund balance of $32,926 due to revenues exceeding disbursements.

The Emergency Medical Services Fund experienced a decrease in fund balance of $111,103 due to disbursements and 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 2017 the County amended its General Fund budget numerous times, none significant.

For the General Fund, budget basis actual revenue and other financing sources were $8,043,654, above final budget estimates of $6,864,168. Of this difference, tax revenues made the majority of this difference.

Budget basis actual expenditures and other financing uses were $8,921,451, below final budget estimates of $9,048,529 which resulted in a $127,078 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 $877,797 below expenditures and other financing uses.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2017 the County had $30,506,990 (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; $29,484,885 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 2017 and 2016 balances by governmental activities and business-type activities:

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

	2017	2016
Land	$ 928,080	$ 928,080
Construction in Progress	508,392	161,038
Land Improvements	131,772	77,765
Buildings	4,261,930	3,219,046
Machinery and Equipment	2,534,957	2,125,530
Vehicles	2,568,071	2,718,036
Infrastructure	18,551,683	17,985,293
Total	$ 29,484,885	$ 27,214,788

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

	2017	2016
Land	$ 29,000	$ 29,000
Construction in Progress	80,961	-
Wastewater Treatment Plant	11,715	24,005
Collection System	900,429	941,884
Total	$ 1,022,105	$ 994,889

Debt

At December 31, 2017 the County had $965,303 in governmental activities bonds and long-term loans and notes, $321,037 due within one year. At December 31, 2017, the County had $457,240 in business-type activity bonds, $14,500 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

	2017	2016
Long Term Notes/Loans	$ 965,303	$ 1,062,868
Special Assessment Bonds	-	3,900
Total	$ 965,303	$ 1,066,768

Table 6
Outstanding Debt At December 31
Business-Type Activities

	2017	2016
OWDA Loan	$ 76,240	$ 10,334
Revenue Bonds	381,000	394,700
Total	$ 457,240	$ 405,034

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.

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Hocking County

Statement of Net Position

As of December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	**Business-Type Activities**	**Total**	**Hospital**
Assets				
Equity in Pooled Cash and Cash Equivalents	$ 11,255,398	$ 196,568	$ 11,451,966	$ -
Cash, Cash Equivalents and Investments in Segregated Accounts	-	-	-	3,073,243
Receivables:				
Taxes	7,545,798	-	7,545,798	-
Accounts, Net	72,345	32,436	104,781	5,675,974
Interest	9,902	-	9,902	-
Intergovernmental	3,935,517	7,188	3,942,705	-
Materials and Supplies Inventory	379,309	-	379,309	440,092
Prepaid Items	-	-	-	438,949
Deposits	-	-	-	437,357
Restricted Cash and Cash Equivalents and Investments in Segregated Accounts	-	-	-	274,804
Net Pension Asset	-	-	-	49,466
Nondepreciable Capital Assets	1,436,472	109,961	1,546,433	1,297,519
Depreciable Capital Assets, Net	28,048,413	912,144	28,960,557	11,407,883
Total Assets	52,683,154	1,258,297	53,941,451	23,095,287
Deferred Outflows of Resources				
Pensions	6,611,099	22,896	6,633,995	8,226,907
Liabilities				
Accounts Payable	356,891	1,170	358,061	2,551,488
Accrued Wages and Benefits Payable	184,368	670	185,038	515,964
Contracts Payable	1,090,015	18,977	1,108,992	-
Intergovernmental Payable	160,375	500	160,875	-
Matured Compensated Absences Payable	8,238	-	8,238	-
Self Insurance Liability	-	-	-	327,456
Unearned Revenue	-	-	-	403,267
Long-term Liabilities:				
Due Within One Year	500,222	15,205	515,427	1,706,335
Due in More Than One Year:				
Net Pension Liability (See Note 10)	16,758,424	59,376	16,817,800	20,829,470
Other Amounts Due in More than One Year	1,359,231	448,995	1,808,226	2,970,760
Total Liabilities	20,417,764	544,893	20,962,657	29,304,740
Deferred Inflows of Resources				
Property Taxes Not Levied to Finance Current Year Operations	6,502,431	-	6,502,431	-
Pensions	168,437	352	168,789	410,155
Total Deferred Inflows of Resources	6,670,868	352	6,671,220	410,155
Net Position				
Net Investment in Capital Assets	27,377,087	545,888	27,922,975	8,902,270
Restricted for:				
Debt Service	97,579	-	97,579	-
Capital Projects	240,500	-	240,500	-
Hocking County 911	1,275,146	-	1,275,146	-
Senior Citizens	373,097	-	373,097	-
Motor Vehicle Gas Tax	3,571,261	-	3,571,261	-
Family and Children First	274,158	-	274,158	-
Board of Developmental Disabilities	530,552	-	530,552	-
Emergency Medical Services	1,213,766	-	1,213,766	-
Real Estate Assessment	1,199,221	-	1,199,221	-
Municipal Court Special Projects	75,793	-	75,793	-
Wireless 911	328,502	-	328,502	-
Other Purposes	1,723,668	-	1,723,668	274,804
Unrestricted (Deficit)	(6,074,709)	190,060	(5,884,649)	(7,569,775)
Total Net Position	$ 32,205,621	$ 735,948	$ 32,941,569	$ 1,607,299

See accompanying notes to the basic financial statements.

See accountant's compilation report.

Hocking County
Statement of Activities
For the Year Ended December 31, 2017

		Program Revenues		
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental Activities				
General Government:				
Legislative and Executive	$2,863,807	$831,455	$114,029	$ -
Judicial	2,892,886	541,218	580,289	49,748
Public Safety	6,057,553	859,683	752,654	-
Public Works	4,081,015	190,098	3,484,296	600,000
Health	6,581,705	817,927	1,396,140	-
Human Services	1,544,041	112,498	251,714	-
Economic Development and Assistance	692,604	8,119	629,473	-
Conservation and Recreation	246,231	30,759	4,409	-
Interest and Fiscal Charges	48,601	77,286	-	-
Total Governmental Activities	25,008,443	3,469,043	7,213,004	649,748
Business-Type Activities				
Wastewater Treatment	198,537	165,953	7,188	7,613
Total Business-Type Activities	198,537	165,953	7,188	7,613
Total Primary Government	$ 25,206,980	$ 3,634,996	$ 7,220,192	$ 657,361
Component Unit				
Hospital	$ 40,250,330	$ 35,352,594	$ -	$ -
Total Component Unit	$ 40,250,330	$ 35,352,594	$ -	$ -

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

Change in Net Position

Net Position Beginning of Year - As Restated

Net Position End of Year

See accompanying notes to the basic financial statements.
See accountant's compilation report.

continued

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-Type Activities	Total	Hospital
$ (1,918,323)	$ -	$ (1,918,323)	$ -
(1,721,631)	-	(1,721,631)	-
(4,445,216)	-	(4,445,216)	-
193,379	-	193,379	-
(4,367,638)	-	(4,367,638)	-
(1,179,829)	-	(1,179,829)	-
(55,012)	-	(55,012)	-
(211,063)	-	(211,063)	-
28,685	-	28,685	-
(13,676,648)	-	(13,676,648)	-
-	(17,783)	(17,783)	-
-	(17,783)	(17,783)	
(13,676,648)	(17,783)	(13,694,431)	
			(4,897,736)
			(4,897,736)
1,984,208	-	1,984,208	-
3,676,115	-	3,676,115	-
3,587,136	-	3,587,136	-
857,994	-	857,994	-
2,594,648	-	2,594,648	-
133,719	-	133,719	76,436
16,006	-	16,006	-
-	-	-	293,234
187,217	-	187,217	59,441
13,037,043	-	13,037,043	429,111
(639,605)	(17,783)	(657,388)	(4,468,625)
32,845,226	753,731	33,598,957	6,075,924
$ 32,205,621	$ 735,948	$ 32,941,569	$ 1,607,299

Hocking County

Balance Sheet

Governmental Funds

As of December 31, 2017

	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	$ 1,908,233	$ 1,707,167	$ 481,961	$ 1,203,974	$ 5,954,063	$ 11,255,398
Receivables:						
Taxes	2,896,161	-	1,945,589	1,991,934	712,114	7,545,798
Accounts, Net	-	-	14,419	57,926	-	72,345
Accrued Interest	9,902	-	-	-	-	9,902
Intergovernmental	1,098,652	2,297,616	145,274	108,447	285,528	3,935,517
Interfund	926,368	-	-	-	-	926,368
Due from Other Funds	10,157	-	-	-	-	10,157
Materials and Supplies Inventory	1,878	377,431	-	-	-	379,309
Total Assets	$ 6,851,351	$ 4,382,214	$ 2,587,243	$ 3,362,281	$ 6,951,705	$ 24,134,794
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts Payable	$ 76,153	$ -	$ 29,759	$ 20,683	$ 230,296	$ 356,891
Contracts Payable	-	649,000	-	-	441,015	1,090,015
Accrued Wages and Benefits Payable	80,646	21,431	21,879	34,341	26,071	184,368
Matured Compensated Absences Payable	-	-	8,238	-	-	8,238
Due to Other Funds	-	-	8,750	1,407	-	10,157
Intergovernmental Payable	64,212	14,602	33,886	23,086	24,589	160,375
Interfund Payable	-	-	-	-	926,368	926,368
Total Liabilities	221,011	685,033	102,512	79,517	1,648,339	2,736,412
Deferred Inflows of Resources						
Property Taxes Not Levied to Finance Current Year Operations	2,162,406	-	1,867,861	1,912,355	559,809	6,502,431
Unavailable Revenues - Delinquent Taxes	89,985	-	77,728	79,579	23,295	270,587
Unavailable Revenues - Grants	267,388	1,148,793	108,395	108,447	14,629	1,647,652
Total Deferred Inflows of Resources	2,519,779	1,148,793	2,053,984	2,100,381	597,733	8,420,670
Fund Balances						
Nonspendable	155,040	377,431	-	-	-	532,471
Restricted	-	2,170,957	430,747	1,182,383	5,685,922	9,470,009
Committed	22,715	-	-	-	-	22,715
Assigned	1,173,284	-	-	-	-	1,173,284
Unassigned (Deficit)	2,759,522	-	-	-	(980,289)	1,779,233
Total Fund Balances	4,110,561	2,548,388	430,747	1,182,383	4,705,633	12,977,712
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,851,351	$ 4,382,214	$ 2,587,243	$ 3,362,281	$ 6,951,705	$ 24,134,794

See accompanying notes to the basic financial statements.

See accountant's compilation report.

Hocking County
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
As of December 31, 2017

Total Governmental Fund Balances		$ 12,977,712
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.		29,484,885
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	270,587	
Intergovernmental	1,647,652	
Total		1,918,239
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		
Deferred outflows of resources related to pensions	6,611,099	
Deferred inflows of resources related to pensions	(168,437)	
Net pension liability	(16,758,424)	
Total		(10,315,762)
Long-term liabilities, including bonds, notes, capital leases and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(841,670)	
Long Term Notes	(965,303)	
Capital Lease Obligations	(52,480)	
Total		(1,859,453)
Net Position of Governmental Activities		$ 32,205,621

See accompanying notes to the basic financial statements.
See accountant's compilation report.

Hocking County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 5,570,863	$ -	$ 1,658,158	$ 1,704,350	$ 1,156,909	$ 10,090,280
Intergovernmental	2,334,515	3,987,616	1,431,062	215,805	2,405,909	10,374,907
Charges for Services	1,283,439	52,436	10,116	637,061	766,698	2,749,750
Fees, Licenses and Permits	2,216	-	-	-	90,050	92,266
Fines and Forfeitures	114,382	14,942	-	-	497,702	627,026
Special Assessments	-	-	-	-	3,590	3,590
Interest	113,780	19,006	-	-	933	133,719
Miscellaneous	46,668	23,503	4,971	-	112,075	187,217
Total Revenues	9,465,863	4,097,503	3,104,307	2,557,216	5,033,866	24,258,755
Expenditures						
Current:						
General Government:						
Legislative and Executive	2,120,116	-	-	-	355,313	2,475,429
Judicial	1,899,428	-	-	-	624,903	2,524,331
Public Safety	3,313,621	-	-	-	1,435,586	4,749,207
Public Works	126,938	2,084,340	-	-	-	2,211,278
Health	45,126	-	3,109,679	2,459,593	198,655	5,813,053
Human Services	796,781	-	-	-	609,020	1,405,801
Conservation and Recreation	243,566	-	-	-	-	243,566
Economic Development and Assistance	53,263	-	-	-	628,309	681,572
Capital Outlay	100,278	2,471,776	-	74,042	2,073,025	4,719,121
Debt Service:						
Principal	50,600	92,835	2,487	124,241	373,132	643,295
Interest and Fiscal Charges	5,985	-	132	10,443	32,041	48,601
Total Expenditures	8,755,702	4,648,951	3,112,298	2,668,319	6,329,984	25,515,254
Excess of Revenues Over (Under) Expenditures	710,161	(551,448)	(7,991)	(111,103)	(1,296,118)	(1,256,499)
Other Financing Sources/(Uses)						
Issuance of OPWC Loans	-	36,928	-	-	-	36,928
Issuances of Notes	-	150,000	-	-	-	150,000
Issuance of OWDA Loans	-	-	-	-	300,000	300,000
Proceeds from Sale of Capital Assets	-	30,488	40,917	-	-	71,405
Transfers In	-	-	-	-	154,935	154,935
Transfers Out	(77,610)	-	-	-	(77,325)	(154,935)
Total Other Financing Sources/(Uses)	(77,610)	217,416	40,917	-	377,610	558,333
Net Changes in Fund Balances	632,551	(334,032)	32,926	(111,103)	(918,508)	(698,166)
Fund Balances Beginning of Year - As Restated	3,478,010	2,882,420	397,821	1,293,486	5,624,141	13,675,878
Fund Balances End of Year	$ 4,110,561	$ 2,548,388	$ 430,747	$ 1,182,383	$ 4,705,633	$ 12,977,712

See accompanying notes to the basic financial statements.
See accountant's compilation report.

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, 2017

Net Change in Fund Balances - Total Governmental Funds		$ (698,166)
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	4,719,121	
Current Year Depreciation	(2,241,109)	
Total		2,478,012
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	(71,405)	
Loss on Disposal of Capital Assets	(152,516)	
Gain on Sale of Capital Assets	16,006	
Total		(207,915)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	15,173	
Intergovernmental	82,493	
Special Assessments	(3,590)	
Total		94,076
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		1,207,477
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(3,570,593)
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.		(486,928)
Repayment of bond principal and long term notes principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		588,393
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.		54,902
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	(98,863)	
Total		(98,863)
Net Change in Net Position of Governmental Activities		$ (639,605)

See accompanying notes to the basic financial statements.
See accountant's compilation report.

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, 2017

	Budgeted Amounts			Variance with Final Budget: Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	$ 4,596,000	$ 4,596,000	$ 5,442,918	$ 846,918
Charges for Services	899,528	899,528	1,082,143	182,615
Fees, Licenses and Permits	1,000	1,000	1,750	750
Fines and Forfeitures	124,000	124,000	116,667	(7,333)
Intergovernmental	1,122,125	1,122,125	1,213,390	91,265
Interest	40,000	40,000	111,416	71,416
Other	41,515	41,515	37,018	(4,497)
Total Revenues	6,824,168	6,824,168	8,005,302	1,181,134
Expenditures				
Current:				
General Government:				
Legislative and Executive	2,103,459	2,143,910	2,022,371	121,539
Judicial	1,821,258	1,942,628	1,909,124	33,504
Public Safety	2,940,267	3,346,775	3,321,135	25,640
Public Works	131,272	128,437	127,075	1,362
Health	101,317	72,409	72,409	-
Human Services	633,838	894,317	880,966	13,351
Conservation and Recreation	240,874	243,571	243,566	5
Community and Economic Development	57,509	56,194	53,464	2,730
Other				
Capital Outlay	100,278	100,278	100,278	-
Debt Service:				
Principal Retirements	50,600	50,600	50,600	-
Interest	5,985	5,985	5,985	-
Total Expenditures	8,186,657	8,985,104	8,786,973	198,131
Excess of Revenues Under Expenditures	(1,362,489)	(2,160,936)	(781,671)	1,379,265
Other Financing Sources (Uses):				
Advances In	40,000	40,000	38,352	(1,648)
Transfers Out	(424,952)	(63,425)	(63,093)	332
Advances Out	-	-	(71,385)	(71,385)
Total Other Financing Sources (Uses)	(384,952)	(23,425)	(96,126)	(72,701)
Net Change in Fund Balance	(1,747,441)	(2,184,361)	(877,797)	1,306,564
Fund Balance at Beginning of Year	2,086,842	2,086,842	2,086,842	-
Prior Year Encumbrances Appropriated	195,568	195,568	195,568	-
Fund Balance at End of Year	$ 534,969	$ 98,049	$ 1,404,613	$ 1,306,564

See accompanying notes to the basic financial statements.
See accountant's compilation report.

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, 2017

	Budgeted Amounts			Variance with Final Budget:
	Original	Final	Actual	Positive (Negative)
Revenues				
Charges for Services	$ 140,200	$ 140,200	$ 68,651	$ (71,549)
Fines and Forfeitures	20,000	20,000	16,013	(3,987)
Intergovernmental	3,380,072	3,453,072	3,432,086	(20,986)
Interest	2,000	3,000	17,499	14,499
Other	30,000	30,000	23,503	(6,497)
Total Revenues	3,572,272	3,646,272	3,557,752	(88,520)
Expenditures				
Current:				
Public Works	2,400,831	2,548,731	2,241,020	307,711
Capital Outlay	1,913,272	1,913,272	1,876,344	36,928
Debt Service:				
Principal Retirements	90,760	92,860	92,835	25
Total Expenditures	4,404,863	4,554,863	4,210,199	344,664
Excess of Revenues Under Expenditures	(832,591)	(908,591)	(652,447)	256,144
Other Financing Sources:				
Issuance of OPWC Loans	36,928	36,928	36,928	-
Issuances of Notes	150,000	150,000	150,000	-
Proceeds from Sale of Capital Assets	30,488	30,488	30,488	-
Total Other Financing Sources	217,416	217,416	217,416	-
Net Change in Fund Balance	(615,175)	(691,175)	(435,031)	256,144
Fund Balance at Beginning of Year	1,646,846	1,646,846	1,646,846	-
Prior Year Encumbrances Appropriated	384,735	384,735	384,735	-
Fund Balance at End of Year	$ 1,416,406	$ 1,340,406	$ 1,596,550	$ 256,144

See accompanying notes to the basic financial statements.
See accountant's compilation report.

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, 2017

	Budgeted Amounts			Variance with Final Budget:
	Original	Final	Actual	Positive (Negative)
Revenues				
Property Taxes	$ 1,598,338	$ 1,598,338	$ 1,658,158	$ 59,820
Charges for Services	56,780	56,780	56,780	-
Intergovernmental	1,247,257	1,347,857	1,500,151	152,294
Other	13,308	13,308	4,971	(8,337)
Total Revenues	2,915,683	3,016,283	3,220,060	203,777
Expenditures				
Current:				
Health	3,300,679	3,401,280	3,207,609	193,671
Debt Service:				
Principal Retirements	2,487	2,487	2,487	-
Interest & Fiscal Charges	132	132	132	-
Total Expenditures	3,303,298	3,403,899	3,210,228	193,671
Excess of Revenues Under Expenditures	(387,615)	(387,616)	9,832	397,448
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	40,917	40,917	40,917	-
Total Other Financing Sources (Uses)	40,917	40,917	40,917	-
Net Change in Fund Balance	(346,698)	(346,699)	50,749	397,448
Fund Balance at Beginning of Year	267,648	267,648	267,648	-
Prior Year Encumbrances Appropriated	79,405	79,405	79,405	-
Fund Balance at End of Year	$ 355	$ 354	$ 397,802	$ 397,448

See accompanying notes to the basic financial statements.
See accountant's compilation report.

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, 2017

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$ 1,650,000	$ 1,650,000	$ 1,704,350	$ 54,350
Charges for Services	650,000	654,250	658,625	4,375
Intergovernmental	150,000	150,000	215,805	65,805
Total Revenues	2,450,000	2,454,250	2,578,780	124,530
Expenditures				
Current:				
Health	2,780,258	2,800,028	2,543,197	256,831
Capital Outlay	74,042	74,042	74,042	-
Debt Service:				
Principal Retirements	140,000	140,000	134,684	5,316
	-			
Total Expenditures	2,994,300	3,014,070	2,751,923	262,147
Excess of Revenues Over/(Under) Expenditures	(544,300)	(559,820)	(173,143)	386,677
Net Change in Fund Balance	(544,300)	(559,820)	(173,143)	386,677
Fund Balance at Beginning of Year	1,275,547	1,275,547	1,275,547	-
Prior Year Encumbrances Appropriated	40,456	40,456	40,456	-
Fund Balance at End of Year	$ 771,703	$ 756,183	$ 1,142,860	$ 386,677

See accompanying notes to the basic financial statements.
See accountant's compilation report.

Hocking County
Statement of Fund Net Position
Proprietary Fund
As of December 31, 2017

	Sewer Fund
Assets	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$ 196,568
Intergovernmental Receivable	7,188
Accounts Receivable (net of allowance, where applicable)	32,436
Total Current Assets	236,192
Noncurrent Assets	
Non-depreciable Capital Assets	109,961
Depreciable Capital Assets, Net	912,144
Total Noncurrent Assets	1,022,105
Total Assets	1,258,297
Deferred Outflows of Resources	
Pensions	22,896
Liabilities	
Current Liabilities	
Accounts Payable	1,170
Accrued Wages and Benefits Payable	670
Intergovernmental Payable	500
Compensated Absences - Current	705
Contracts Payable	18,977
Revenue Bonds - Current	14,500
Total Current Liabilities	36,522
Noncurrent Liabilities	
Compensated Absences - Net of Current	6,255
Net Pension Liability	59,376
OWDA Loan Payable	76,240
Revenue Bonds - Net of Current	366,500
Total Noncurrent Liabilities	508,371
Total Liabilities	544,893
Deferred Inflows of Resources	
Pension	352
Net Position	
Net Investment in Capital Assets	545,888
Unrestricted	190,060
Total Net Position	$ 735,948

See accompanying notes to the basic financial statements.
See accountant's compilation report.

Hocking County
Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2017

	Sewer Fund
Operating Revenues	
Charges for Services	$ 165,953
Total Operating Revenues	165,953
Operating Expenses	
Salaries and Wages	27,193
Fringe Benefits	15,781
Contractual Services	50,156
Depreciation	58,965
Materials and Supplies	21,628
Other	5,025
Total Operating Expenses	178,748
Operating Loss	(12,795)
Nonoperating Revenues (Expenses)	
Intergovernmental	7,188
Interest and Fiscal Charges	(19,789)
Total Nonoperating Expenses	(12,601)
Change in Net Position Before Capital Contributions	(25,396)
Capital Contributions - Assessments	7,613
Total Capital Contributions	7,613
Change in Net Position	(17,783)
Net Position at Beginning of Year	753,731
Net Position at End of Year	$ 735,948

See accompanying notes to the basic finanical statements.
See accountant's compilation report.

Hocking County
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2017

	Sewer Fund
Decrease in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 171,377
Cash Payments to Suppliers for Goods and Services	(87,703)
Cash Payments to Employees for Services and Benefits	(59,520)
Net Cash Provided by Operating Activities	24,154
Cash Flows from Capital and Related Financing Activities:	
Proceeds from OWDA Loans	66,201
Acquisition of Capital Assets	(67,204)
Capital Contributions- Special Assessments	7,613
Principal Payments	(13,995)
Interest Payments	(19,789)
Net Cash Used for Capital and Related Financing Activities	(27,174)
Net Decrease in Cash and Cash Equivalents	(3,020)
Cash and Cash Equivalents at Beginning of Year	199,588
Cash and Cash Equivalents at End of Year	$ 196,568
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	$ (12,795)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	58,965
Pension Expense Not Affecting Cash	(22,826)
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	5,424
Decrease in Prepaid Items	175
Decrease in Accounts Payable	(11,069)
Decrease in Intergovernmental Payable	(259)
Increase in Compensated Absences	6,960
Decrease in Accrued Wages and Benefits Payable	(421)
Total Adjustments	36,949
Net Cash Provided by Operating Activities	$ 24,154

See accompanying notes to the basic financial statements.
See accountant's compilation report.

Hocking County

Statement of Fiduciary Assets and Liabilities

Agency Funds

As of December 31, 2017

Assets		
Equity in Pooled Cash and Cash Equivalents	$	3,926,981
Cash and Cash Equivalents in Segregated Accounts		268,604
Taxes Receivable		19,402,582
Intergovernmental Receivable		1,816,613
Total Assets	$	25,414,780
Liabilities		
Due to Other Governments	$	24,790,601
Undistributed Monies		624,179
Total Liabilities	$	25,414,780

See accompanying notes to the basic financial statements.
See accountant's compilation report.

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 23 provides 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.

Change for Previously Reported Discretely Presented Component Unit:

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

During 2017, Hocking Valley Industries, Inc. became privatized and was not longer considered a discretely presented component unit. As more fully described in Note 25, the basic financial statements no longer include this entity for reporting purposes.

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 2017. 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 liabilities, and the recording of net pension 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, 2018. 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, 2017 for pensions. The deferred outflows of resources related to the pension are explained in Note 10. 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. Property taxes for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance fiscal year 2018 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 are only reported on the Statement of Net Position. (See Note 10)

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 2017, investments were limited to commercial paper, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation securities, money market funds, and negotiable certificates of deposit.

Interest is distributed to the General Fund, the Motor Vehicle Gas Tax Fund and a non-major special revenue fund. The interest earned during 2017 amounted to $113,780, $19,006 and $933 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.

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

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

Capital Assets: General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the proprietary funds are reported in both the business-type activities column on the government-wide statement of net position and in the respective funds. In the case of land, buildings, and certain Enterprise Fund assets, the capital asset values initially were determined at December 31, 1995, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated capital assets are capitalized at 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.

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. 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.

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

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

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

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

Interfund Transactions: Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for 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: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems 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.
5. Advances-in and advances-out are recorded as other financing sources and uses on a budget basis as opposed to increases or decreases in Interfund receivables or payables on a GAAP basis.
6. Certain funds are reported as part of the General fund on a GAAP basis, but are not reported as part of the General fund on the Budget basis.

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

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

Net Changes in Fund Balances
Major Governmental Funds

	General	Motor Vehicle Gas Tax	Board of Developmental Disablities	Emergency Medical Services
GAAP Basis	$ 632,551	$ (334,032)	$ 32,926	$ (111,103)
Increases (Decreases) Due to:				
Revenue Accruals	(675,796)	(539,751)	115,753	21,564
Expenditure Accruals	(123,380)	547,857	(57,013)	(22,490)
Encumbrances	(165,637)	(109,105)	(40,917)	(61,114)
Perspective Difference:				
Activity of Funds Reclassified				
For GAAP Reporting Purposes				
Non-Budgeted Funds	(545,535)	-	-	-
Budget Basis	$ (877,797)	$ (435,031)	$ 50,749	$ (173,143)

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;

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;

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;

NOTE 4 - DEPOSITS AND INVESTMENTS - (CONTINUED)

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;

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.

    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. provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of 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, $10,519,308 of the County's bank balance of $11,269,308 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, 2017, 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	$ 1,235,466	$ 738,711	$ 401,203	$ 95,552
Commercial Paper	1,702,147	1,702,147	-	-
First American Treasury Obligation Funds	-	-	-	-
Federal National Mortgage Association	1,745,148	748,828	534,008	462,312
Federal Home Loan Mortgage Corporation	399,005	-	399,005	-
Total Investments	$ 5,081,766	$ 3,189,686	$ 1,334,216	$ 557,864

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, 2017. All of the County's investments 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 were rated AAAm by Standard & Poor's. Investments in commercial paper were rated P-1 by Moody's and A-1 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 24% in negotiable certificates of deposit, 33% in Commercial Paper, 29% in Federal National Mortgage Association, and 8% in Federal Home Loan Mortgage Corporation.

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 2016. 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, 2017. 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 2017 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, 2017, was $11.40 per $1,000 of assessed value. The assessed values of real property upon which 2017 property tax receipts were based are as follows:

Real Estate	
Residential/Agricultural	$ 499,608,490
Commercial/Industrial	50,190,500
Public Utilities	88,710
Minerals	545,540
Tangible Personal Property	
Public Utilities	87,962,180
Total Property Taxes	$ 638,395,420

NOTE 6 - PERMISSIVE SALES TAX

In prior years, the County Commissioners, by resolution, imposed a one percent tax on certain retail sales, made in the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited entirely to the General Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2017 amounted to $3,587,136.

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 2017 amounted to $857,994.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance at January 1, 2017	Additions	Deletions	Balance at December 31, 2017
Governmental Activities				
Non-Depreciable Capital Assets				
Land	$ 928,080	$ -	$ -	$ 928,080
Construction In Progress	161,038	1,807,765	(1,460,411)	508,392
Total Non-Depreciable Capital Assets	1,089,118	1,807,765	(1,460,411)	1,436,472
Depreciable Capital Assets				
Land Improvements	149,537	68,000	-	217,537
Buildings	5,029,124	1,247,467	-	6,276,591
Infrastructure	35,135,227	1,884,376	-	37,019,603
Vehicles	5,437,844	337,143	(202,036)	5,572,951
Machinery and Equipment	5,741,492	834,781	(417,525)	6,158,748
Total Depreciable Capital Assets	51,493,224	4,371,767	(619,561)	55,245,430
Less Accumulated Depreciation for				
Land Improvements	(71,772)	(13,993)	-	(85,765)
Buildings	(1,810,078)	(204,583)	-	(2,014,661)
Infrastructure	(17,149,934)	(1,317,986)	-	(18,467,920)
Vehicles	(2,719,808)	(373,573)	88,501	(3,004,880)
Machinery and Equipment	(3,615,962)	(330,974)	323,145	(3,623,791)
Total Accumulated Depreciation	(25,367,554)	(2,241,109)	411,646	(27,197,017)
Total Depreciable Capital Assets, Net	26,125,670	2,130,658	(207,915)	28,048,413
Governmental Activities Capital Assets, Net	$ 27,214,788	$ 3,938,423	$ (1,668,326)	$ 29,484,885

NOTE 7 - CAPITAL ASSETS – (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	$ 106,644
Judical	71,680
Public Safety	389,883
Public Works	1,499,294
Health	126,119
Human Services	44,824
Conservation and Recreation	2,665
Total Depreciation Expense - Governmental Activities	$ 2,241,109

	Balance at January 1, 2017	Additions	Deletions	Balance at December 31, 2017
Business Type Activities				
Non-Depreciable Capital Assets				
Land	$ 29,000	$ -	$ -	$ 29,000
Construction in Progress	-	80,961	-	80,961
Total Non-Depreciable Capital Assets	29,000	80,961	-	109,961
Depreciable Capital Assets				
Wastewater Treatment Plant	362,597	-	-	362,597
Collection System	1,824,638	5,220	-	1,829,858
Total Depreciable Capital Assets	2,187,235	5,220	-	2,192,455
Less Accumulated Depreciation for				
Wastewater Treatment Plant	(338,592)	(12,290)	-	(350,882)
Collection System	(882,754)	(46,675)	-	(929,429)
Total Accumulated Depreciation	(1,221,346)	(58,965)	-	(1,280,311)
Total Depreciable Capital Assets, Net	965,889	(53,745)	-	912,144
Business Type Activities Capital Assets, Net	$ 994,889	$ 27,216	$ -	$ 1,022,105

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	137,852
Medicaid Sales Tax Transition Relief	617,781
Other	145,270
Total General Fund	1,098,652
Motor Vehicle Gas Tax	
License, Gasoline & Permissive Taxes	1,694,034
OPWC Grant	600,000
Other	3,582
Total Motor Vehicle Gas Tax	2,297,616
Board of Developmental Disabilities	
Grants and Entitlements	36,879
Homestead Rollback	108,395
Total Board of Developmental Disablilities	145,274
Emergency Medical Services	
Homestead Rollback	108,447
Total Emergency Medical Services	108,447
Total Major Funds	3,649,989
Other Governmental Funds	
Grants and Entitlements	270,899
Homestead Rollback	14,629
Total Other Governmental Funds	285,528
Total Intergovernmental Receivables Governmental Funds	$ 3,935,517
Agency Funds	
License, Gasoline and Permissive Taxes	$ 593,732
Undivided Library Tax	413,493
Local Government	440,193
Other	369,195
Total Agency Funds	$ 1,816,613

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 2017, Hocking County paid $155,317 to the Council for insurance coverage. This jointly governed organization is a cost-sharing pool.

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

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

NOTE 10- DEFINED BENEFIT RETIREMENT PLAN

Net Pension Liability

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 each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each 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.

The 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 each 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, other than full-time police officers, 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 RETIREMENT PLAN – (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 RETIREMENT PLAN – (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
2017 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0 %	17.1 %	17.1 %
Post-employment Health Care Benefits	1.0	1.0	1.0
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 $1,211,692 for 2017. Of this amount, $96,903 is reported as an intergovernmental payable.

NOTE 10- DEFINED BENEFIT RETIREMENT PLAN – (CONTINUED)

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 December 31, 2016. 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	0.0740770%
Proportionate Share of the Net Pension Liability - Prior Year	0.0744570%
Change in Proportionate Share	-0.0003800%
Proportion of the Net Pension Liability	$16,817,800
Pension Expense	$3,551,984

At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$22,800
Changes of assumptions	2,668,116
Net difference between projected and actual earnings on pension plan investments	$2,640,190
Changes in proportion and differences between County contributions and proportionate share of contributions	91,197
County contributions subsequent to the measurement date	1,211,692
Total deferred outflows of resources	$6,633,995
Deferred Inflows of Resources	
Differences between expected and actual experience	$120,382
Changes in employer proportion	48,407
Total deferred inflows of resources	$168,789

NOTE 10- DEFINED BENEFIT RETIREMENT PLAN – (CONTINUED)

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

$1,211,692 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, 2018. 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
2018	$2,151,499
2019	2,161,347
2020	902,155
2021	38,513
Total	$5,253,514

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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent Traditional; 3.25 percent to 8.25 percent Combined
COLA or Ad Hoc COLA	Pre January 7, 2013: 3 percent, simple Post January 7, 2013: 3 percent simple throught 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were 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 to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

NOTE 10- DEFINED BENEFIT RETIREMENT PLAN – (CONTINUED)

Actuarial Assumptions – OPERS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan, Combined Plan and 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 for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board 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. The table on the following page displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation for 2016	Weighted Average Long Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	100.00 %	5.66 %

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what each plan's net pension 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 (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability	$25,698,793	$16,817,800	$9,424,076

In October 2017, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2017. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

NOTE 11 – POST EMPLOYMENT BENEFITS

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 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 45. Please see the Plan Statement in the OPERS 2016 CAFR 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.

Funding Policy – 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 2017, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

NOTE 11 – POST EMPLOYMENT BENEFITS – (CONTINUED)

Ohio Public Employees Retirement System (OPERS) (continued)

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% during calendar year 2017.

As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% 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 2017 was 4.0%.

Substantially all of the District's contribution allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was $89,775, $193,326 and $185,531, respectively. The full amount has been contributed for 2017, 2016 and 2015.

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 12/31/2016	Increases	Decreases	Outstanding 12/31/2017	Due Within One Year
Long-Term Notes:					
2003 - 4.15% (Original Issue $277,692)					
Juvenile Detention Facility Note	$ 123,682	$ -	$ 15,575	$ 108,107	$ 16,221
2012 - 2.75% (Original Issue $520,000)					
Logan-Health Department	208,680	-	51,842	156,838	53,295
2017 - 0.00% (Original Issue $150,000)					
Equipment Loan	-	150,000	-	150,000	30,000
2017 - 0.00% (Original Issue $36,928)					
OPWC Note - CR 15T Bridge Replacement	-	36,928	1,319	35,609	2,638
2014 - 0% (Original Issue $250,000)					
OPWC Loan - County Paving CR19R	175,000	-	50,000	125,000	50,000
2015 - 2.5% (Original Issue $634,530)					
EMS Equipment Note	448,686	-	124,241	324,445	127,367
2015 - 0% (Original Issue $7,578)					
OPWC Loan - 2015 County Paving CR08S	6,820	-	1,516	5,304	1,516
2013 - 0% (Original Issue $200,000)					
OPWC Loan - County-City Paving Project	100,000	-	40,000	60,000	40,000
2017 - Principal forgiveness HSTS WPCLF	-	300,000	300,000	-	-
Total Long-Term Notes	1,062,868	486,928	584,493	965,303	321,037
Special Assessment Bonds:					
1996 - 5.5% (Original Issue $53,500)					
Rockbridge Sewer Special Assessment Bonds	3,900	-	3,900	-	-
Total Special Assessment Bonds	3,900	-	3,900	-	-
Capital Leases	107,382	-	54,902	52,480	52,480
Pension Liability	12,808,335	3,950,089	-	16,758,424	-
Compensated Absences	742,807	991,875	893,012	841,670	126,705
Total General Long-Term Obligations	$ 14,725,292	$ 5,428,892	$ 1,536,307	$ 18,617,877	$ 500,222
Enterprise Funds					
2017 - OWDA 7514 - Murray City Sewer	$ -	$ 64,695	$ -	$ 64,695	$ -
2017 - OWDA 7794 - Carbon Hill Sewer	$ -	$ 1,506	$ -	$ 1,506	$ -
1996 - 4.5% (Original Issue $333,000)					
Rockbridge Sanitary Sewer Revenue Bonds	$ 247,300	$ -	$ 7,300	$ 240,000	$ 7,700
2015 - 3.26% (Original Issue $10,629)					
OWDA Loan - Unsewered Area Planning	10,334	-	295	10,039	-
1991 - 5.875% (Original Issue $227,000)					
Haydenville Sewer FmHA Revenue Bonds	147,400	-	6,400	141,000	6,800
Total Revenue Bonds and Loans	405,034	66,201	13,995	457,240	14,500
Compensated Absences	-	8,202	1,242	6,960	705
Pension Liability	88,556	-	29,180	59,376	-
Total Enterprise Fund	$ 493,590	$ 74,403	$ 44,417	$ 523,576	$ 15,205

NOTE 13 - LONG-TERM DEBT – (CONTINUED)

The County has pledged future special assessment revenues to repay $3,900 (original issue amounts of $53,500) in special assessment bonds issued in 1996. Proceeds from the bonds provided financing for the construction of the Rockbridge sewer lines. The bonds are payable solely from special assessment revenues and are payable through 2017. However, the County would be required to pay any deficit on these bonds if future special assessment revenues were not sufficient to make the debt service payments. Annual principal and interest payments on the bonds are expected to require all of the special assessment revenues. These bonds were paid in full at the end of the year.

The County has pledged future sewer customer revenues, net of specified operating expenses, to repay $240,000 and $141,000 (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 $579,700. Principal and interest paid for the current year and total customer net revenues were $33,488 and $71,760, 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 2016, 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 02, 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.

NOTE 13 - LONG-TERM DEBT – (CONTINUED)

During 2017, the County issued an OWDA loan in the amount of $300,000 for the purpose of improving sewer infrastructure. The loan was repaid through a principal forgiveness program from the OWDA in 2017.

During 2017, the County issued an OWDA loan in the amount of $64,695 for the purpose improving the Murray City Sewer Facilities. The amount encumbered by OWDA for this project is $469,964. The project is ongoing at December 31, 2017. No amortization schedule has been set.

During 2017, the County issued an OWDA loan in the amount of $1,506 for improvements to Carbon Hill Sanitary Sewer. The amount encumbered by OWDA for this project is $300,247. The project is ongoing at December 31, 2017. 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 bonds:

	Logan-Health Department Notes		Equipment Loan		Sanitary Sewer Revenue Bonds	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 53,295	$ 6,643	$ 30,000	$ 4,563	$ 14,500	$ 19,084
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
2023-2027	-	-	-	-	102,700	64,728
2028-2032	-	-	-	-	117,300	35,154
2033	-	-	-	-	81,000	11,232
Totals	$ 156,838	$ 15,416	$ 150,000	$ 13,695	$ 381,000	$ 198,700

	Juvenile Detention Facility Notes		EMS Note	
Year	Principal	Interest	Principal	Interest
2018	$ 16,221	$ 4,486	$ 127,367	$ 7,318
2019	16,894	3,120	130,570	4,114
2020	17,587	3,120	66,508	834
2021	18,325	2,382	-	-
2022	19,086	1,621	-	-
2023-2027	19,994	831	-	-
Totals	$ 108,107	$ 15,560	$ 324,445	$ 12,266

NOTE 13 - LONG-TERM DEBT – (CONTINUED)

	CR15T OPWC Paving Principal	CR09Q OPWC Paving Principal	CR19R OPWC Paving Principal	CR08S OPWC Paving Principal
2018	$ 2,638	$ 40,000	$ 50,000	$ 1,516
2019	2,638	20,000	50,000	1,516
2020	2,638	-	25,000	1,516
2021	2,638	-	-	756
2022	2,638	-	-	-
2023-2027	13,190	-	-	-
2028-2032	9,229	-	-	-
Totals	$ 35,609	$ 60,000	$ 125,000	$ 5,304

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 $327,491 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 2017 totaled $54,902 in the governmental funds. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2017.

Fiscal Year Ending June 30,	Amount
2018	$ 55,557
Total	55,557
Less Amount Representing Interest	(3,077)
Present Value of Net Minimum Lease Payments	$ 52,480

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 01, 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:

	2017 Hall of Justice Construction	
Year	Principal	Interest
2018	$ 49,035	$ 25,916
2019	50,517	24,434
2020	52,044	22,907
2021	53,617	21,334
2022	55,237	19,713
2023-2027	302,262	72,490
2028-2032	313,313	23,965
Totals	$ 876,025	$ 210,759

The principal balance outstanding as of December 31, 2017 is reflected as part of Interfund Recievable in the General fund and Interfund Payable in the Hall of Justice fund below.

As of December 31, 2017, 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. These will be repaid in fiscal year 2017. Due to Other/From Other Funds balances resulted from the time lag between the dates that Interfund goods and services are provided or reimbursable expenditures occur and payment is made.

	Interfund Payables	Interfund Receivables	Due to Other Funds	Due From Other Funds
Major Funds:				
General	$ -	$ 926,368	$ -	$ 10,157
Board of Developmental Disabilities	-		8,750	-
EMS	-	-	1,407	-
Total Major Funds	-	926,368	10,157	10,157
Non-Major Special Revenue Funds:				
High Visibility Enforcement	343	-	-	-
CDBG 06	50,000	-	-	-
Total Non-Major Special Revenue Funds	50,343	-	-	-
Non-Major Capital Projects Fund:				
Hall of Justice Construction Fund	876,025	-	-	-
Total All Funds	$ 926,368	$ 926,368	$ 10,157	$ 10,157

NOTE 15 - INTERFUND TRANSACTIONS – (CONTINUED)

Fund Type/Fund	Transfers In	Transfers Out
Major Funds		
General Fund	$ -	$ 77,610
Total Major Funds	-	77,610
Other Governmental Funds		
Non-Major Special Revenue Funds		
Justice Assistance Grant	14,474	-
Wireless 911	-	8,000
County 911	8,000	-
Hocking County EMA	22,428	-
Felony Drug Court Probation	-	-
Municipal Clerk's Computer	20,000	-
Total Non-Major Special Revenue Funds	64,902	8,000
Non-Major Capital Projects Funds		
Hall of Justice Construction	23,975	-
Municipal Court Special Project	-	45,350
Total Non-Major Capital Projects Funds	23,975	45,350
Non-Major Debt Service Fund		
Hall of Justice Debt Fund	45,350	23,975
General Obligation Debt Fund	20,708	-
Total Non-Major Debt Service Fund	66,058	23,975
Total Other Governemental Funds	154,935	77,325
Total All Funds	$ 154,935	$ 154,935

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 2017, contributed $880,424 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 – 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, 2017, the outstanding balance on this loan was $6,118. This balance is not recognized as a liability in the County's basic financial statements because the Agricultural Society is primarily liable and has not yet been in default of the debt agreement.

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2017, the County has implemented GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans, GASB Statement No. 80, "Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 and GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the County.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as no-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the County.

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES - (CONTINUED)

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payment made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the County.

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	$ 153,162	$ -	$ -	$ -	$ -	$ 153,162
Materials & Supplies Inventories	1,878	377,431	-	-	-	379,309
Total of Nonspendable	155,040	377,431	-	-	-	532,471
Restricted For:						
Debt Service	-	-	-	-	97,579	97,579
Capital Projects	-	-	-	-	240,500	240,500
Family and Children First	-	-	-	-	274,848	274,848
Motor Vehicle Gas Tax	-	2,170,957	-	-	-	2,170,957
Municipal Court Special Projects	-	-	-	-	78,371	78,371
Senior Citizens	-	-	-	-	361,105	361,105
Hocking County 911	-	-	-	-	1,330,531	1,330,531
Wireless 911	-	-	-	-	328,502	328,502
Law Library	-	-	-	-	130,319	130,319
Board of Developmental Disabilities	-	-	430,747	-	-	430,747
Emergency Medical Services	-	-	-	1,182,383	-	1,182,383
Real Estate Assessment	-	-	-	-	1,220,602	1,220,602
Other Purposes	-	-	-	-	1,623,565	1,623,565
Total Restricted	-	2,170,957	430,747	1,182,383	5,685,922	9,470,009
Committed	22,715	-	-	-	-	22,715
Assigned						
2018 Appropriations	1,082,960	-	-	-	-	1,082,960
Encumbrances	90,324	-	-	-	-	90,324
Total Assigned	1,173,284	-	-	-	-	1,173,284
Unassigned (deficit)	2,759,522	-	-	-	(980,289)	1,779,233
Total Fund Balances	$ 4,110,561	$ 2,548,388	$ 430,747	$ 1,182,383	$ 4,705,633	$ 12,977,712

NOTE 22 – ACCOUNTABILITY

As of December 31, 2017, the Hall of Justice Construction, Local Government Safety Capital Grant, Sheriff LEBG and High Visibility Enforcement funds had a deficit fund balances in the amount of $895,572, $83,523, $851 and $343, respectively, due to the implementation of GAAP.

NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL

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

Note 1. Reporting Entity

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

In accordance with GASB Statement No. 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 propriety 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)

Deposits for South Central Ohio Insurance Consortium: The Hospital participates in an insurance consortium for employee health insurance costs. The amount reflected on the statements of net position represents assets held for the consortium to cover unpaid claims at year-end.

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 statements 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 14 within Note 23).

Capital assets: Purchased or constructed capital assets are reported at historical costs. Contributed capital assets are recorded at their estimated fair value at the time of their donation. Expenditures for capital assets must exceed $1,000 in order for them to be capitalized. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these 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 statements 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 with a minimum of 10 years of service have sick leave balances paid out at 25% of eligible hours at their current rate of pay. The maximum payout is 240 hours. As of December 2017, the liability for accrued vacation and sick leave was $873,963.

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 $1,068,927 in UPL payments in 2017, which is reflected in net patient service revenue. Additionally, the Hospital received 2018 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 following year.

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 $499,160 in 2017, and recorded the amount in supplies and other expenses in the Statements of Revenues, Expenses and Changes in Net Position. There was no franchise fee liability payable to the State of Ohio at December 31, 2017.

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 $36,614,000 during 2017), an estimated $261,000 arose from providing services to charity patients during 2017. 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 $1,292,069 for 2017 and are reported as net patient service revenue in the financial statements.

New accounting standards: During 2017, the Hospital implemented GASB Statement No. 82 *Pension Issues* – an amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. There was no material impact to these financial statement disclosures as a result of adoption of this standard as these disclosures have been provided historically.

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

Note 2. Summary of Significant Accounting Policies (Continued)

Reclassification: Certain amounts in the 2016 financial statements have been reclassified to conform to the current year presentation. There were no changes in the net position as a result of these reclassifications.

Subsequent Events: The Hospital has evaluated subsequent events through May 2, 2018, the date the financial statements were available to be issued

Note 3. 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, 2017, 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, 2017, totaled $2,146,138, and were subject to the following categories of custodial credit risk:

	2017
Collateralized held by the counterparty's agent, but not in the Hospital's name	$ 764,803
Total amount subject to custodial risk	764,803
Amount insured	1,381,335
Total bank balances	$ 2,146,138

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 3. Deposits and Investments (Continued)

The Hospital's investments generally are reported at fair value, as discussed in Note 2 within Note 23. At December 31, 2017, 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	$ 35,036	$ 221,858
U.S. Government Agencies			
AA+	448	448	-
Money Market Funds			
AAA	703,783	703,783	-
Not rated	350,339	350,339	-
	$ 1,311,464	$ 1,089,606	$ 221,858

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, 2017, 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, 2017, 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 State 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, 2017, the fair values of the Foundation's investments were as follows:

Mutual funds	$120,389
Exchange traded funds	167,512
Certificates of deposit	874,718
Money market funds	857
Total investments	$1,163,476

The Foundation's investments are reflected in the statement of net position as follows at December 31, 2017:

Certificates of deposit - current assets	$ 599,914
Investments - current assets	288,758
Restricted investments - noncurrent assets	274,804
Total	$ 1,163,476

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

Note 3. Deposits and Investments (Continued)

The Foundation's investment income for the year ended December 31, 2017 consisted of the following:

Interest and dividends, net of	$ 5,026
Investment management fees	$ 50,629
Net unrealized/realized gain	$ 55,655

Note 4. 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, 2017 and 2016.

- 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.

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

Note 4. 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, 2017 and 2016. 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	$ -	$ 1,054,122	$ -	$ 1,054,122
U.S. Government Agencies:				
AA+ Securities	-	448	-	448
	$ -	$ 448	$ -	448
Certificates of Deposit				256,894
Total				$ 257,342

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 2017.

Foundation assets measured at fair value on a recurring basis as of December 31, 2017 are as follows:

	Level 1	Level 2	Level 3	Total
Money Market	-	857	-	857
Mutual Funds				
Money market	2,408	-	-	2,408
Fixed income	29,561	-	-	29,561
Foreign large blend	15,250	-	-	15,250
Foreign large growth	9,852	-	-	9,852
Large growth	36,664	-	-	36,664
Large value	10,828	-	-	10,828
Mid-cap growth	6,660	-	-	6,660
Small value	9,166	-	-	9,166
Exchange traded funds				
Fixed income	57,943	-	-	57,943
Foreign large blend	30,796	-	-	30,796
Foreign small/mid blend	9,675	-	-	9,675
Large growth	15,892	-	-	15,892
Large value	33,199	-	-	33,199
Mid-cap value	8,479	-	-	8,479
Small blend	11,528	-	-	11,528
	$ 287,901	$ 857	-	288,758
Certificates of deposit				
Total investments and certificates of deposit				$ 1,163,476

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 2017

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

Note 5. Capital Assets

The Hospital: The Hospital's capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 255,120	$ -	$ -	$ 255,120
Construction in progress	855,346	1,995,650	(1,970,431)	880,565
Total nondepreciated capital assets	1,110,466	1,995,650	(1,970,431)	1,135,685
Depreciable capital assets:				
Land improvements	491,327	22,320	-	513,647
Buildings and improvements	15,443,547	94,839	1,802,059	17,340,445
Equipment	14,957,244	1,123,752	168,372	16,249,368
Total depreciated capital assets	30,892,118	1,240,911	1,970,431	34,103,460
Less accumulated depreciation				
Land improvements	(272,869)	(36,241)	-	(309,110)
Buildings and improvements	(9,096,798)	(542,607)	-	(9,639,405)
Equipment	(12,106,977)	(1,029,458)	-	(13,136,435)
Total accumulated depreciation	(21,476,644)	(1,608,306)	-	(23,084,950)
Total depreciable capital assets, net	9,415,474	(367,395)	1,970,431	11,018,510
Total capital assets, net	$ 10,525,940	$ 1,628,255	$ -	$ 12,154,195

Total depreciation expense related to the Hospital's capital assets for 2017 was $1,608,306.

The Foundation: The Foundation's capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 161,834	$ -	$ -	$ 161,834
Total nondepreciated capital assets	161,834	-	-	161,834
Depreciable capital assets:				
Buildings and improvements	778,490	-	-	778,490
Equipment	12,421	-	-	12,421
Total depreciated capital assets	790,911	-	-	790,911
Less accumulated depreciation				
Buildings and improvements	(360,802)	(28,315)	-	(389,117)
Equipment	(12,421)	-	-	(12,421)
Total accumulated depreciation	(373,223)	(28,315)	-	(401,538)
Total depreciable capital assets, net	417,688	(28,315)	-	389,373
Total capital assets, net	$ 579,522	$ (28,315)	$ -	$ 551,207

Total depreciation expense related to the Foundation's capital assets for 2017 was $28,315.

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

Note 6. 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, 2017. Interest on the line of credit is payable at a variable rate of prime plus 1.04% (5.54% at December 31, 2017).

Note 7. Long-Term Debt and Capital Lease Obligations

Information regarding the Hospital's long-term debt and capital lease activity and balances as of and for the year ended December 31, 2017 is as follows:

	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
1999 County Hospital Refunding and Improvement Bond Series	$ 550,000	$ -	$ (175,000)	$ 375,000	$ 185,000
Note payable, OAQDA	1,876,509	-	(112,282)	$ 1,764,227	115,706
Capital lease obligations	1,246,396	965,894	(543,825)	$ 1,668,465	534,031
	3,672,905	965,894	(831,107)	3,807,692	834,737
Bond discount	(6,959)	-	2,399	(4,560)	(2,365)
Total debt	$ 3,665,946	$ 965,894	$ (828,708)	$ 3,803,132	$ 832,372

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.

In 2016, a resolution was made by the Foundation Board of Trustees to forgive the $344,985 owed by the Hospital for building improvements.

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, 2017 through December 1, 2024. At December 31, 2017, the balance outstanding under these note payable agreements was $1,764,227.

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 2021.

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

	2017
Cost of equipment under capital lease	$ 2,966,498
Accumulated amortization	(1,323,592)
	$ 1,642,906

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

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

Long-term debt and capital lease obligation payment requirements for fiscal years subsequent to December 31, 2017, are as follows:

	Capital Lease Obligations			Long-Term Debt		
	Principal	Interest	Total	Principal	Interest	Total
2018	$ 534,031	$ 64,405	$ 598,436	$ 300,706	$ 83,327	$ 384,033
2019	411,734	42,740	454,474	309,236	71,002	380,238
2020	375,392	22,842	398,234	122,872	58,331	181,203
2021	212,719	9,791	222,510	126,620	54,574	181,194
2022	134,589	2,425	137,014	130,482	50,702	181,184
Thereafter	-	-	-	1,149,311	218,004	1,367,315
	$ 1,668,465	$ 142,203	$ 1,810,668	$ 2,139,227	$ 535,940	$ 2,675,167

Note 8. Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	2017
Gross patient accounts receivable Less allowance for:	$14,106,814
Uncollectible accounts	(2,323,216)
Contractual adjustments	(6,150,903)
Net patient accounts receivable	$ 5,632,695

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:

	2017	
	Accounts Receivable	Gross Revenue
Medicare	31%	47%
Medicaid	19%	27%
Commercial	24%	23%
Self-pay	26%	3%
	100%	100%

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

Note 9. 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.
>
> 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 2017, approximately 47% of the Hospital's total gross patient revenue was derived from Medicare patients while 27% 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 $43,279 due from third party payors as of December 31, 2017. 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 $355,919 in 2017.

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

Note 10. Net Patient Service Revenues

	2017
Revenue:	
Inpatient	$ 20,268,145
Outpatient	71,356,691
Total patient revenue	$ 91,624,836
Revenue deductions:	
Contractual allowances	52,768,130
Provision for bad debts	3,384,143
Charity care	653,582
Total deductions	56,805,855
Total net patient service revenue	$ 34,818,981

Note 11. 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.

Medical malpractice: For medical malpractice, the Hospital has professional liability insurance with a commercial carrier. Coverage is $1,000,000 per occurrence and $3,000,000 in the annual aggregate. In addition, the Hospital has umbrella coverage of $2,000,000 per occurrence and $2,000,000 in the annual aggregate. The policy also requires that certain members of the medical staff carry professional liability coverage of no less than $1,000,000 per occurrence and $3,000,000 in the annual aggregate. The Hospital's coverage is on a claims made basis. Settled claims for medical malpractice have not exceeded insurance coverage in any of the past three years. Losses from asserted and unasserted claims identified under the Hospital's incident reporting systems are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. There is no liability for medical malpractice at December 31, 2017.

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, 2017 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, 2017 is as follows:

	Beginning Liability	Claims Incurred	Claims Paid	Ending Liability
2017	$ 284,912	$ 3,487,069	$ 3,444,525	$ 327,456

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

Note 12. Endowment

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

Interpretation of relevant law: The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies restricted, non-spendable net position as (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. In addition, UPMIFA introduced the concept of total return expenditure of endowment net position for charitable program purposes, expressly permitting prudent expenditure of endowment net position for charitable program purposes, expressly permitting prudent expenditure of both appreciation and income. Thus, asset growth and income can be appropriated for program purposes, subject to the rule that a fund cannot be spent below "historic dollar value."

The portion of the donor-restricted endowment fund that is not classified in restricted, non-spendable net position will be classified as restricted, program activities net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation will consider the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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

There were no changes in net position related to endowments for the year ended December 31, 2017.

Endowment net assets by composition type of funds as of ended December 31, 2017 is as follows:

	Unrestricted Net Position	Restricted, Nonspendable Net Position
Funds functioning as endowment	$ 290,000	$ -
Donor-restricted endowment	-	139,236
Balance at December 31, 2017	$ 290,000	$ 139,236

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

Note 12. Endowment (Continued)

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, there are no deficiencies of this nature as of December 31, 2017.

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

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

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

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

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

Note 13. Defined Pension Plan

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 45. Please see the Plan Statement in the OPERS 2016 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, employers participating in cost-sharing multiple- employer plans are required to recognize a proportionate share of the collective net pension liabilities of the plans. Although changes in the net pension liability generally are recognized as pension expense in the current period, GASB 68 requires certain items to be 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 9 years).

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

Note 13. Net Pension Liability (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:

	2017
Net pension liability - all employers	$ 22,708,299,469
Proportion of the net pension liability - Hospital	0.09173%
	$ 20,829,470
Net pension asset - all employers	$ 56,073,439
Proportion of the net pension asset - Hospital	0.08822%
	$ 49,466

Pension expense for the year ending December 31, 2017 was $4,005,048.

At December 31, 2017, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$3,137,697	$0
Difference between expected and actual experience	30,132	152,508
Assumption changes	3,316,087	0
Changes in proportionate share	116	257,647
Difference between Hospital contributions and proportionate share of contributions	98,271	0
Employer contributions subsequent to the measurement date	1,644,604	0
Total	$8,226,907	$410,155

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

Note 13. Net Pension Liability (Continued)

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:

2018	$ 2,447,098
2019	2,713,355
2020	1,109,577
2021	(93,359)
2022	(1,969)
2023 and Thereafter	(2,554)
Total	$ 6,172,148

Statutory Authority: Ohio Revised Code Chapter 145

Benefit Formula: 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.

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 2017, 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 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% 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 2017 was 4.0%.

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

Note 13. Net Pension Liability (Continued)

Cost-of-Living Adjustments: Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit.

Measurement Date: December 31, 2016

Actuarial Assumptions:

Valuation Date: December 31, 2016 Actuarial
Cost Method: Individual entry age Investment
Rate of Return: 7.50%

Inflation: 3.25%

Projected Salary Increases: 3.25% - 10.75%
Cost-of-Living Adjustments: 3.00% Simple

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. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

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

Note 13. Net Pension Liability (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	

Discount Rate: 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. 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.

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

The following table presents the proportionate share of the net pension 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 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:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	$31,821,668	$20,829,470	$11,669,412

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension asset	$4,411	$49,466	($90,863)

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

Note 14. 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 gifts 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, 2017, the Hospital disbursed funds totaling $3,340,000 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. There were no amounts due to or receivable from HVMG at December 31, 2017.

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 years ended December 31, 2017. Therefore, the Hospital's financial statements exclude the activities of HVHS.

Note 15. Commitments and Contingencies

Electronic Medical Records: 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 will include hardware, software, third-party applications and licensing, and will cost approximately $9.7 million over the life of the 10-year agreement. The cost will be offset by approximately $4.8 million in gained efficiencies, discontinuing the service agreement with the current HER vendor and third-party applications, as well as the ability to utilize OSUWMC resources due to the shared platform. As of December 31, 2017, approximately $751,000 included in the construction in process amounts disclosed in Note 5 of 23 related to this project.

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

Note 16. 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:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for periods beginning after June 15, 2017. This standard, which is the companion to Statement 74, establishes new reporting requirements for employers participating in OPEB plans. Similar to Statement 68, it will require employers in cost-sharing, multi- employer plans to record a liability (and related deferrals) for the employer's pro-rata share of net OPEB liabilities. It also expands disclosure and supplementary reporting requirements for employers participating in OPEB plans.

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. 85, *Omnibus 2017*, issued March 2017, will be effective for periods beginning after June 15, 2017. This standard addresses a variety of practice issues identified during implementation and application of certain GASB Statements. It provides guidance on blending of component units (confirming limited applicability of blended presentation for business type activities), accounting for goodwill acquired prior to the issuance of GASB 69, accounting for real estate held for investment by insurance entities, clarification of circumstances in which money-market investments may be valued at amortized cost, and various technical fixes related to the implementation of the new OPEB standards.

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.

NOTE 24 - 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	$165,637
Motor Vehicle Gas Tax	109,105
Board of Developmental Disabilities	80,231
Emergency Medical Services	61,114
Non-Major Funds:	
County 911	$298,610

NOTE 25 – RESTATEMENT OF BEGINNING NET POSITION

The Lodging Tax fund was previously reported as a governmental-type special revenue fund at December 31, 2016. Because the receipts in this fund are considered to be held and disbursed in a custodial capacity only, this fund was reclassified as an agency fund. This reclassification restated the Governmental Activities Statement of Net Position at December 31, 2016 from $32,935,541 to $32,845,226.

As described in Note 1, Hocking Valley Industries, Inc. was privatized during 2017, so they no longer qualified to be reported as a discretely presented component unit of the County for 2017. The effect of removing this entity reduced the component units' net position by $309,497 as of January 1, 2017.

NOTE 26 – RESTATEMENT OF BEGINNING FUND BALANCES

The Administration of Lodging Tax fund was previously reported as governmental-type special revenue fund at December 31, 2016. Because of the nature of the receipts and disbursements in this fund, this fund was reclassified as a general fund equivalent. As described in Note 25, the Lodging Tax fund was previously reported as a governmental-type special revenue fund at December 31, 2016. Because the receipts in this fund are considered to be held and disbursed in a custodial capacity only, this fund was reclassified as an agency fund. The effect of these fund reclassifications had the following effect on net position at December 31, 2016:

	General Fund	Other Governmental Funds
Fund Balance - December 31, 2016	$ 3,441,039	$ 5,751,427
Adjustments:		
Lodging Tax Fund	-	(90,315)
Administration of Lodging Tax Fund	36,971	(36,971)
Restated Fund Balance - December 31, 2016	$ 3,478,010	$ 5,624,141

Hocking County

Required Supplementary Information

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

Ohio Public Employees Retirement System

Last Four Years

	2017	2016	2015	2014 (1)
Total plan pension liability	$ 99,811,932,954	$ 91,534,580,978	$ 89,017,348,266	$ 86,407,229,435
Plan net position	77,109,633,485	74,213,320,352	76,956,230,642	74,618,532,269
Net pension liability	22,702,299,469	17,321,260,626	12,061,117,624	11,788,697,166
County's proportion of the net pension liability	0.074077%	0.074457%	0.072659%	0.072659%
County's proportionate share of the net pension liability	$ 16,817,800	$ 12,896,891	$ 8,763,488	$ 8,565,549
County's covered-employee payroll	$ 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	168.09%	133.97%	98.18%	88.84%
Plan fiduciary net position as a percentage of the total pension liability	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 County Contributions
Ohio Public Employees Retirement System
Last Ten Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 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	$ 1,508,236
Contributions in relation to the contractually required contribution	(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)	(1,508,236)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County's covered-employee payroll	$ 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	$ 21,546,229
Contributions as a percentage of covered employee payroll	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.50%	7.00%