Hocking County, Ohio

Basic Financial Statements

As of and for the Year Ended
December 31, 2019

Presented by: Kenneth Wilson, Hocking County Auditor

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**Hocking County**
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*For the Year Ended December 31, 2019*


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June 23, 2020

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

Accountant's Compilation Report

Management is responsible for the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hocking County, Ohio as of and for the year ended December 31, 2019, 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, and the required supplementary information on pages 108 thru 111 are not a required part of the basic financial statements but are required supplementary information the Government Accounting Standards Board requires. Such information, althoug0.1 h 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. We did not audit or review the required supplementary information, 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 the required supplementary 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, 2019. 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 2019 are as follows:

*Overall:*

Total net position increased $2,053,703.

Total revenue was $30,409,337 in 2019.

Total program expenses were $30,422,421 in 2019.

*Governmental Activities:*

Total revenue was $26,706,543 in 2019, while program expenses were $30,129,208.

Program expenses were primarily composed of health, public works, public safety, legislative and executive, judicial, and human services, where expenses were $6,776,395, $5,269,868, $8,862,298, $3,641,323, $3,641,629, and $1,319,077, respectively, in 2019.

*Business-Type Activities:*

Program revenues were $5,749,544 for business-type activities, while corresponding expenses were $280,129.

**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 a 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 2019?" The statement of net position and the statement of activities answer this question. These statements include *all assets, liabilities, and deferred inflows and outflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the County's *net position* and changes in net position. This change in net position is important because it tells the reader, for the County as a whole, whether the *financial position* of the County has improved. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required or mandated programs and other factors.

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

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

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

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

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

*Fund Financial Statements*

The analysis of the County's major funds begins on page 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 2019 compared to the prior year:

Table 1

Net Position

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| *Assets* | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current & Other Assets | $ 26,753,329 | $ 22,509,391 | $ 1,321,049 | $ 376,313 | $ 28,074,378 | $ 22,885,704 |
| Capital Assets, Net | 30,302,617 | 30,203,182 | 8,377,109 | 1,299,641 | 38,679,726 | 31,502,823 |
| Total Assets | 57,055,946 | 52,712,573 | 9,698,158 | 1,675,954 | 66,754,104 | 54,388,527 |
| *Deferred Outflows of Resources* | | | | | | |
| Pensions | 6,436,998 | 2,938,163 | 40,874 | 24,687 | 6,477,872 | 2,962,850 |
| OPEB | 852,979 | 599,871 | 9,347 | 9,287 | 862,326 | 609,158 |
| Total Deferred Outflows | 7,289,977 | 3,538,034 | 50,221 | 33,974 | 7,340,198 | 3,572,008 |
| *Liabilities* | | | | | | |
| Current and Other Liabilities | 832,945 | 855,616 | 1,059,591 | 108,498 | 1,892,536 | 964,114 |
| Non-Current Liabilities: | | | | | | |
| Due within One Year | 365,798 | 498,641 | 24,945 | 23,859 | 390,743 | 522,500 |
| Due in More than One Year: | | | | | | |
| Net Pension Liability | 20,777,091 | 11,629,513 | 107,333 | 56,994 | 20,884,424 | 11,686,507 |
| Net OPEB Liability | 9,456,157 | 7,733,728 | 49,325 | 38,247 | 9,505,482 | 7,771,975 |
| Other Amounts | 1,560,583 | 1,366,235 | 1,976,036 | 406,914 | 3,536,619 | 1,773,149 |
| Total Liabilities | 32,992,574 | 22,083,733 | 3,217,230 | 634,512 | 36,209,804 | 22,718,245 |
| *Deferred Inflows of Resources* | | | | | | |
| Taxes | 10,608,310 | 6,925,246 | - | - | 10,608,310 | 6,925,246 |
| Pensions | 286,023 | 2,774,056 | 1,827 | 19,747 | 287,850 | 2,793,803 |
| OPEB | 64,341 | 650,232 | 134 | 2,849 | 64,475 | 653,081 |
| *Total Deferred Inflows of Resources* | 10,958,674 | 10,349,534 | 1,961 | 22,596 | 10,960,635 | 10,372,130 |
| *Net Position* | | | | | | |
| Net Investment in Capital Assets | 29,361,505 | 29,058,583 | 5,406,991 | 784,660 | 34,768,496 | 29,843,243 |
| Restricted | 11,496,540 | 10,995,476 | - | - | 11,496,540 | 10,995,476 |
| Unrestricted (Deficit) | (20,463,370) | (16,236,719) | 1,122,197 | 268,160 | (19,341,173) | (15,968,559) |
| Total Net Position | $ 20,394,675 | $ 23,817,340 | $ 6,529,188 | $ 1,052,820 | $ 26,923,863 | $ 24,870,160 |

Total governmental activities assets increased by $4,343,373 The increase in total assets is primarily due to increases in taxes receivable due to a new levy as well as an increase in assessed valuation related to Columbia Gas property. Capital assets in the governmental activities increased $99,435 from 2018 to 2019, due to additions which were partially offset by current year depreciation and disposals. Total assets in the business-type activities increased $8,022,204 from 2018 to 2019, primarily due to capital asset additions which were partially offset by depreciation expense.

Current and Other Liabilities in business-type activities increased due to contracts payable related to the sewer line projects ongoing at the end of 2019. Long-term liabilities in governmental activities increased mainly due to increases in the pension and OPEB liabilities. Long-term liabilities in business-type activities increased due to increases in the pension liability as well as loans through the Ohio Water Development Authority for sewer line replacements and additions.

Deferred outflows of resources increased due to increases in the deferred outflow related to pension and OPEB. Deferred inflows of resources increased due to increases in deferred inflows related to taxes. This increase was partially offset by the decrease in deferred inflow related to pension and OPEB.

Table 2 shows the changes in net position for fiscal year 2019 and 2018.

Table 2
Changes in Net Position

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| ***Revenues*** | | | | | | |
| *Program Revenues:* | | | | | | |
| Charges for Services and Sales | $ 4,124,510 | $ 218,495 | $ 4,343,005 | $ 4,130,160 | $ 248,959 | $ 4,379,119 |
| Operating Grants and Contributions | 7,975,204 | - | 7,975,204 | 7,097,418 | - | 7,097,418 |
| Capital Grants and Contributions | 692,367 | 5,531,049 | 6,223,416 | 727,762 | 338,561 | 1,066,323 |
| Total Program Revenues | 12,792,081 | 5,749,544 | 18,541,625 | 11,955,340 | 587,520 | 12,542,860 |
| *General Revenues:* | | | | | | |
| Property Taxes | 6,339,058 | - | 6,339,058 | 6,142,361 | - | 6,142,361 |
| Sales Taxes | 5,280,616 | - | 5,280,616 | 4,958,296 | - | 4,958,296 |
| Grants and Entitlements | 1,540,760 | - | 1,540,760 | 1,570,066 | - | 1,570,066 |
| Other Taxes | - | - | - | - | - | - |
| Interest Earnings | 428,896 | - | 428,896 | 208,004 | - | 208,004 |
| Gain on Sale of Capital Assets | - | - | - | 51,589 | - | 51,589 |
| Miscellaneous | 325,132 | 6,953 | 332,085 | 334,813 | 6,084 | 340,897 |
| Total General Revenues | 13,914,462 | 6,953 | 13,921,415 | 13,265,129 | 6,084 | 13,271,213 |
| ***Total Revenues*** | 26,706,543 | 5,756,497 | 32,463,040 | 25,220,469 | 593,604 | 25,814,073 |
| ***Program Expenses*** | | | | | | |
| General Government: | | | | | | |
| Legislative and Executive | 3,641,323 | - | 3,641,323 | 3,843,203 | - | 3,843,203 |
| Judicial | 3,641,629 | - | 3,641,629 | 3,244,591 | - | 3,244,591 |
| Public Safety | 8,862,298 | - | 8,862,298 | 6,397,484 | - | 6,397,484 |
| Public Works | 5,269,868 | - | 5,269,868 | 4,627,501 | - | 4,627,501 |
| Health | 6,776,395 | - | 6,776,395 | 6,258,620 | - | 6,258,620 |
| Human Services | 1,319,077 | - | 1,319,077 | 1,606,318 | - | 1,606,318 |
| Economic Development and Assistance | 336,541 | - | 336,541 | 439,125 | - | 439,125 |
| Conservation and Recreation | 235,160 | - | 235,160 | 239,656 | - | 239,656 |
| Interest and Fiscal Charges | 46,917 | - | 46,917 | 65,157 | - | 65,157 |
| Wastewater Treatment | - | 280,129 | 280,129 | - | 240,645 | 240,645 |
| ***Total Expenses*** | 30,129,208 | 280,129 | 30,409,337 | 26,721,655 | 240,645 | 26,962,300 |
| ***Special Items*** | | | | | | |
| Settlement for Road Damages | - | - | - | 1,535,208 | - | 1,535,208 |
| Remittances to Townships for Damage | - | - | - | (1,275,003) | - | (1,275,003) |
| Total Special Items | - | - | - | 260,205 | - | 260,205 |
| ***Change in Net Position*** | (3,422,665) | 5,476,368 | 2,053,703 | (1,240,981) | 352,959 | (888,022) |
| Net Position - Beginning of Year | 23,817,340 | 1,052,820 | 24,870,160 | 25,058,321 | 699,861 | 25,758,182 |
| Net Position - End of Year | $ 20,394,675 | $ 6,529,188 | $ 26,923,863 | $ 23,817,340 | $ 1,052,820 | $ 24,870,160 |

***Governmental Activities***

Governmental net position decreased $3,422,665 from 2018 to 2019. Total governmental activities revenues increased $1,486,074 due primarily to an increase in operating grants due to the increase in intergovernmental receipts for the board of developmental disabilities.

Total governmental activities expenses increased $3,407,553 primarily due to increases in the pension liability.

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 24% and 20% of total revenues for governmental activities, respectively.

Health, public works, public safety, and general government legislative and executive comprise 23%, 18%, 29% and 12%, 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 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| General Government - Legislative and Executive | $ 3,641,323 | $ 3,843,203 | $ 2,579,640 | $ 2,793,861 |
| General Government - Judicial | 3,641,629 | 3,244,591 | 2,280,678 | 1,881,727 |
| Public Safety | 8,862,298 | 6,397,484 | 6,432,096 | 4,161,011 |
| Public Works | 5,269,868 | 4,627,501 | 440,981 | 157,986 |
| Health | 6,776,395 | 6,258,620 | 4,302,546 | 4,235,113 |
| Human Services | 1,319,077 | 1,606,318 | 1,066,897 | 1,296,540 |
| Economic Development and Assistance | 336,541 | 439,125 | 48,099 | 46,550 |
| Conservation and Recreation | 235,160 | 239,656 | 204,738 | 205,656 |
| Interest and Fiscal Charges | 46,917 | 65,157 | (18,548) | (12,129) |
| Total Expenses | $ 30,129,208 | $ 26,721,655 | $ 17,337,127 | $ 14,766,315 |

42% 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 $30,464, capital grants and contributions increased $5,192,488 and wastewater treatment expenses increased $39,484, resulting in an increase in net position of $5,476,368. Charges for services and sales accounted for 3.8% of total revenues of $5,756,497. The increase in capital grants and contributions are due to intergovernmental funding for sewer projects.

***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 $28,074,375 and expenditures and other uses of $27,298,103. The net change in fund balance for the year was most significant in the Board of Developmental Disabilities Fund which experienced an increase in fund balance of $729,665 primarily due to an increase in intergovernmental revenue.

The General Fund experienced a decrease in fund balance of $22,945 due to expenditures and other financing uses exceeding revenues and other financing sources.

The Motor Vehicle Gas Tax Fund experienced an increase in fund balance of $567,911 primarily due to an increase in intergovernmental revenues.

The Emergency Medical Services Fund experienced a decrease in fund balance of $238,796 due to expenditures exceeding revenues.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2019 the County amended its General Fund budget numerous times, none significant.

For the General Fund, budget basis actual revenue and other financing sources were $9,824,216, above final budget estimates of $8,472,906. Of this difference, tax revenues made the majority of this difference.

Budget basis actual expenditures and other financing uses were $10,059,127, below final budget estimates of $10,221,567 which resulted in a $162,440 difference. Of this difference, legislative and executive and public safety made the majority of the difference. Total actual expenditures and other financing uses on the budget basis were $234,911 above revenues and other financing sources.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal 2019 the County had $38,679,726 (net of accumulated depreciation) invested in construction in progress, land, land improvements, buildings, machinery and equipment, vehicles, infrastructure, a wastewater treatment plant and collection system; $30,302,617 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 2019 and 2018 balances by governmental activities and business-type activities:

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

| | 2019 | 2018 |
|---|---|---|
| Land | $ 813,212 | $ 813,212 |
| Land Improvements | 122,994 | 137,579 |
| Buildings | 5,330,188 | 5,168,580 |
| Machinery and Equipment | 2,730,411 | 2,745,966 |
| Vehicles | 2,075,800 | 2,265,892 |
| Infrastructure | 19,230,012 | 19,071,953 |
| Total | $ 30,302,617 | $ 30,203,182 |

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

| | 2019 | 2018 |
|---|---|---|
| Land | $ 29,000 | $ 29,000 |
| Construction in Progress | 7,534,236 | 393,700 |
| Vehicle | 17,941 | 23,067 |
| Collection System | 795,932 | 853,874 |
| Total | $ 8,377,109 | $ 1,299,641 |

## Debt

At December 31, 2019 the County had $693,626 in governmental activities long-term loans and notes, $191,017 due within one year. At December 31, 2019, the County had $1,979,146 in business-type activity bonds and loans, $15,600 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

| | 2019 | 2018 |
|---|---|---|
| Long Term Notes/Loans | $ 693,626 | $ 801,996 |
| Total | $ 693,626 | $ 801,996 |

Table 6
Outstanding Debt At December 31
Business-Type Activities

| | 2019 | 2018 |
|---|---|---|
| OWDA Loan | $ 1,627,546 | $ 38,932 |
| Revenue Bonds | 351,600 | 366,500 |
| Total | $ 1,979,146 | $ 405,432 |

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.

As described in Note 22 of this report, the United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the County. The impact on the County's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**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, 2019*

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Hospital |
| **Assets** | | | | |
| Equity in Pooled Cash and Cash Equivalents | $ 11,496,833 | $ 404,836 | $ 11,901,669 | $ - |
| Cash, Cash Equivalents and Investments in Segregated Accounts | 141,347 | - | 141,347 | 2,391,760 |
| Receivables: | | | | |
| Taxes | 11,829,444 | - | 11,829,444 | - |
| Accounts, Net | 9,454 | 72,579 | 82,033 | 5,036,656 |
| Interest | 25,179 | - | 25,179 | - |
| Intergovernmental | 2,638,406 | 843,634 | 3,482,040 | - |
| Materials and Supplies Inventory | 612,666 | - | 612,666 | 346,619 |
| Prepaid Items | - | - | - | 529,762 |
| Restricted Cash and Cash Equivalents and Investments in Segregated Accounts | - | - | - | 215,552 |
| Net Pension Asset | - | - | - | 56,116 |
| Nondepreciable Capital Assets | 813,212 | 7,563,236 | 8,376,448 | 1,204,667 |
| Depreciable Capital Assets, Net | 29,489,405 | 813,873 | 30,303,278 | 12,037,217 |
| *Total Assets* | 57,055,946 | 9,698,158 | 66,754,104 | 21,818,349 |
| **Deferred Outflows of Resources** | | | | |
| Pensions | 6,436,998 | 40,874 | 6,477,872 | 7,110,315 |
| OPEB | 852,979 | 9,347 | 862,326 | 866,261 |
| *Total Deferred Outflows of Resources* | 7,289,977 | 50,221 | 7,340,198 | 7,976,576 |
| **Liabilities** | | | | |
| Accounts Payable | 278,860 | 74,069 | 352,929 | 4,352,521 |
| Accrued Wages and Benefits Payable | 285,215 | 2,143 | 287,358 | 639,643 |
| Contracts Payable | 84,425 | 982,437 | 1,066,862 | - |
| Intergovernmental Payable | 184,445 | 942 | 185,387 | - |
| Self Insurance Liability | - | - | - | 766,274 |
| Line-of-Credit | - | - | - | 515,000 |
| Unearned Revenue | - | - | - | 137,484 |
| Long-term Liabilities: | | | | |
| Due Within One Year | 365,798 | 24,945 | 390,743 | 2,074,135 |
| Due in More Than One Year: | | | | |
| Net Pension Liability (See Note 10) | 20,777,091 | 107,333 | 20,884,424 | 23,832,739 |
| Net OPEB Liability (See Note 11) | 9,456,157 | 49,325 | 9,505,482 | 10,966,220 |
| Other Amounts Due in More than One Year | 1,560,583 | 1,976,036 | 3,536,619 | 3,752,437 |
| *Total Liabilities* | 32,992,574 | 3,217,230 | 36,209,804 | 47,036,453 |
| **Deferred Inflows of Resources** | | | | |
| Property Taxes Not Levied to Finance Current Year Operations | 10,608,310 | - | 10,608,310 | - |
| Pensions | 286,023 | 1,827 | 287,850 | 853,120 |
| OPEB | 64,341 | 134 | 64,475 | 420,899 |
| *Total Deferred Inflows of Resources* | 10,958,674 | 1,961 | 10,960,635 | 1,274,019 |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 29,361,505 | 5,406,991 | 34,768,496 | 8,346,458 |
| Restricted for: | | | | |
| Debt Service | 78,362 | - | 78,362 | - |
| Capital Projects | 214,005 | - | 214,005 | - |
| Hocking County 911 | 1,076,603 | - | 1,076,603 | - |
| Senior Citizens | 350,871 | - | 350,871 | - |
| Motor Vehicle Gas Tax | 3,845,963 | - | 3,845,963 | - |
| Family and Children First | 415,298 | - | 415,298 | - |
| Board of Developmental Disabilities | 1,381,861 | - | 1,381,861 | - |
| Emergency Medical Services | 552,182 | - | 552,182 | - |
| Real Estate Assessment | 942,353 | - | 942,353 | - |
| Municipal Court Special Projects | 236,469 | - | 236,469 | - |
| Wireless 911 | 512,304 | - | 512,304 | - |
| Other Purposes | 1,890,269 | - | 1,890,269 | 215,552 |
| Unrestricted (Deficit) | (20,463,370) | 1,122,197 | (19,341,173) | (27,077,557) |
| *Total Net Position* | $ 20,394,675 | $ 6,529,188 | $ 26,923,863 | $ (18,515,547) |

See accompanying notes to the basic financial statements.

See accountant's compilation report.

*Hocking County*
*Statement of Activities*
*For the Year Ended December 31, 2019*

| | | Program Revenues | | |
|---|---|---|---|---|
| | **Expenses** | **Charges for Services and Sales** | **Operating Grants and Contributions** | **Capital Grants and Contributions** |
| **Governmental Activities** | | | | |
| General Government: | | | | |
| Legislative and Executive | $ 3,641,323 | $ 925,978 | $ 135,705 | $ - |
| Judicial | 3,641,629 | 636,370 | 724,581 | - |
| Public Safety | 8,862,298 | 1,190,267 | 1,139,935 | 100,000 |
| Public Works | 5,269,868 | 195,874 | 4,040,646 | 592,367 |
| Health | 6,776,395 | 1,012,906 | 1,460,943 | - |
| Human Services | 1,319,077 | 65,091 | 187,089 | - |
| Economic Development and Assistance | 336,541 | 6,260 | 282,182 | - |
| Conservation and Recreation | 235,160 | 26,299 | 4,123 | - |
| Interest and Fiscal Charges | 46,917 | 65,465 | - | - |
| *Total Governmental Activities* | 30,129,208 | 4,124,510 | 7,975,204 | 692,367 |
| **Business-Type Activities** | | | | |
| Wastewater Treatment | 280,129 | 218,495 | - | 5,531,049 |
| *Total Business-Type Activities* | 280,129 | 218,495 | - | 5,531,049 |
| *Total Primary Government* | $ 30,409,337 | $ 4,343,005 | $ 7,975,204 | $ 6,223,416 |
| **Component Unit** | | | | |
| Hospital | $ 42,121,222 | $ 35,235,808 | $ 402,516 | $ 40,000 |
| *Total Component Unit* | $ 42,121,222 | $ 35,235,808 | $ 402,516 | $ 40,000 |

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

*Total General Revenues*

Change in Net Position

*Net Position Beginning of Year*

*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 |
| $ (2,579,640) | $ - | $ (2,579,640) | $ - |
| (2,280,678) | - | (2,280,678) | - |
| (6,432,096) | - | (6,432,096) | - |
| (440,981) | - | (440,981) | - |
| (4,302,546) | - | (4,302,546) | - |
| (1,066,897) | - | (1,066,897) | - |
| (48,099) | - | (48,099) | - |
| (204,738) | - | (204,738) | - |
| 18,548 | - | 18,548 | - |
| (17,337,127) | - | (17,337,127) | - |
| - | 5,469,415 | 5,469,415 | - |
| - | 5,469,415 | 5,469,415 | |
| (17,337,127) | 5,469,415 | (11,867,712) | |
| | | | (6,442,898) |
| | | | (6,442,898) |
| 2,099,013 | - | 2,099,013 | - |
| 4,240,045 | - | 4,240,045 | - |
| 4,401,283 | - | 4,401,283 | - |
| 879,333 | - | 879,333 | - |
| 1,540,760 | - | 1,540,760 | - |
| 428,896 | - | 428,896 | 168,191 |
| 325,132 | 6,953 | 332,085 | 474,781 |
| 13,914,462 | 6,953 | 13,921,415 | 642,972 |
| (3,422,665) | 5,476,368 | 2,053,703 | (5,799,926) |
| 23,817,340 | 1,052,820 | 24,870,160 | (12,715,621) |
| $ 20,394,675 | $ 6,529,188 | $ 26,923,863 | $ (18,515,547) |

***Hocking County***
*Balance Sheet*
*Governmental Funds*
*As of December 31, 2019*

| | General | Motor Vehicle Gas Tax | Board of Developmental Disabilities | Emergency Medical Services | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | $ 2,066,671 | $ 1,741,116 | $ 1,262,657 | $ 510,531 | $ 5,915,858 | $ 11,496,833 |
| Cash and Cash Equivalents in Segregated Accounts | - | - | - | 141,347 | - | 141,347 |
| Receivables: | | | | | | |
| Taxes | 4,050,231 | - | 3,958,501 | 2,864,642 | 956,070 | 11,829,444 |
| Accounts, Net | - | - | 8,104 | - | 1,350 | 9,454 |
| Accrued Interest | 25,179 | - | - | - | - | 25,179 |
| Intergovernmental | 486,781 | 1,715,013 | 183,235 | 109,001 | 144,376 | 2,638,406 |
| Interfund | 830,061 | - | - | - | - | 830,061 |
| Materials and Supplies Inventory | 2,701 | 609,965 | - | - | - | 612,666 |
| *Total Assets* | $ 7,461,624 | $ 4,066,094 | $ 5,412,497 | $ 3,625,521 | $ 7,017,654 | $ 27,583,390 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | | | | | |
| **Liabilities** | | | | | | |
| Accounts Payable | $ 72,765 | $ 31,457 | $ 19,626 | $ 57,768 | $ 97,244 | $ 278,860 |
| Contracts Payable | - | - | - | - | 84,425 | 84,425 |
| Accrued Wages and Benefits Payable | 126,153 | 32,413 | 25,133 | 51,129 | 50,387 | 285,215 |
| Intergovernmental Payable | 59,712 | 14,335 | 28,950 | 20,969 | 60,479 | 184,445 |
| Interfund Payable | - | - | - | - | 830,061 | 830,061 |
| *Total Liabilities* | 258,630 | 78,205 | 73,709 | 129,866 | 1,122,596 | 1,663,006 |
| **Deferred Inflows of Resources** | | | | | | |
| Property Taxes Not Levied to Finance Current Year Operations | 3,197,130 | - | 3,846,051 | 2,783,266 | 781,863 | 10,608,310 |
| Unavailable Revenues - Delinquent Taxes | 93,477 | - | 112,450 | 81,376 | 22,860 | 310,163 |
| Unavailable Revenues - Grants | 272,986 | 906,631 | 157,195 | 109,001 | 40,298 | 1,486,111 |
| *Total Deferred Inflows of Resources* | 3,563,593 | 906,631 | 4,115,696 | 2,973,643 | 845,021 | 12,404,584 |
| **Fund Balances** | | | | | | |
| Nonspendable | 151,802 | 609,965 | - | - | - | 761,767 |
| Restricted | - | 2,471,293 | 1,223,092 | 522,012 | 5,853,246 | 10,069,643 |
| Committed | 9,193 | - | - | - | - | 9,193 |
| Assigned | 1,182,241 | - | - | - | - | 1,182,241 |
| Unassigned (Deficit) | 2,296,165 | - | - | - | (803,209) | 1,492,956 |
| *Total Fund Balances* | 3,639,401 | 3,081,258 | 1,223,092 | 522,012 | 5,050,037 | 13,515,800 |
| *Total Liabilities, Deferred Inflows of Resources, and Fund Balances* | $ 7,461,624 | $ 4,066,094 | $ 5,412,497 | $ 3,625,521 | $ 7,017,654 | $ 27,583,390 |

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, 2019*

| | | |
|---|---|---|
| **Total Governmental Fund Balances** | | $ 13,515,800 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 30,302,617 |
| 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 | 310,163 | |
| Intergovernmental | 1,486,111 | |
| Total | | 1,796,274 |
| The net pension/OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the funds. | | |
| Deferred outflows of resources related to pensions | 6,436,998 | |
| Deferred outflows of resources related to OPEB | 852,979 | |
| Deferred inflows of resources related to pensions | (286,023) | |
| Deferred inflows of resources related to OPEB | (64,341) | |
| Net pension liability | (20,777,091) | |
| Net OPEB liability | (9,456,157) | |
| Total | | (23,293,635) |
| Long-term liabilities, including notes, capital leases and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated Absences | (1,069,694) | |
| Long Term Notes | (693,626) | |
| Capital Lease Obligations | (163,061) | |
| Total | | (1,926,381) |
| **Net Position of Governmental Activities** | | $ 20,394,675 |

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, 2019*

| | General | Motor Vehicle Gas Tax | Board of Developmental Disabilities | Emergency Medical Services | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Taxes | $ 6,491,858 | $ - | $ 1,754,976 | $ 1,822,032 | $ 1,496,865 | $ 11,565,731 |
| Intergovernmental | 1,303,596 | 4,939,818 | 1,538,442 | 218,416 | 2,454,397 | 10,454,669 |
| Charges for Services | 1,426,512 | 124,895 | 60,284 | 801,457 | 1,052,801 | 3,465,949 |
| Fees, Licenses and Permits | 6,738 | - | - | - | 88,285 | 95,023 |
| Fines and Forfeitures | 124,145 | 8,618 | - | - | 430,775 | 563,538 |
| Special Assessments | - | - | - | - | 332 | 332 |
| Interest | 408,306 | 18,468 | - | - | 2,122 | 428,896 |
| Miscellaneous | 72,273 | 76,086 | 32,753 | - | 144,020 | 325,132 |
| *Total Revenues* | 9,833,428 | 5,167,885 | 3,386,455 | 2,841,905 | 5,669,597 | 26,899,270 |
| **Expenditures** | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| Legislative and Executive | 2,542,619 | - | - | - | 438,852 | 2,981,471 |
| Judicial | 2,161,435 | - | - | - | 952,967 | 3,114,402 |
| Public Safety | 4,125,362 | - | - | - | 2,526,851 | 6,652,213 |
| Public Works | 25,662 | 3,145,121 | - | - | - | 3,170,783 |
| Health | 73,278 | - | 2,646,112 | 2,946,017 | 122,542 | 5,787,949 |
| Human Services | 420,214 | - | - | - | 676,697 | 1,096,911 |
| Conservation and Recreation | 232,495 | - | - | - | - | 232,495 |
| Economic Development and Assistance | 54,683 | - | - | - | 281,201 | 335,884 |
| Capital Outlay | 153,156 | 1,630,421 | - | - | 902,352 | 2,685,929 |
| Debt Service: | | | | | | |
| Principal | 114,865 | 141,114 | - | 130,570 | 357,747 | 744,296 |
| Interest and Fiscal Charges | 7,486 | 7,069 | - | 4,114 | 28,248 | 46,917 |
| *Total Expenditures* | 9,911,255 | 4,923,725 | 2,646,112 | 3,080,701 | 6,287,457 | 26,849,250 |
| *Excess of Revenues Over (Under) Expenditures* | (77,827) | 244,160 | 740,343 | (238,796) | (617,860) | 50,020 |
| **Other Financing Sources/(Uses)** | | | | | | |
| Issuance of OPWC Loans | - | 283,751 | - | - | - | 283,751 |
| Issuance of OWDA Loans | - | - | - | - | 237,310 | 237,310 |
| Proceeds from Sale of Capital Assets | 12,035 | 40,000 | - | - | - | 52,035 |
| Inception of Capital Lease | 153,156 | - | - | - | - | 153,156 |
| Transfers In | 13,699 | - | - | - | 435,154 | 448,853 |
| Transfers Out | (124,008) | - | (10,678) | - | (314,167) | (448,853) |
| *Total Other Financing Sources/(Uses)* | 54,882 | 323,751 | (10,678) | - | 358,297 | 726,252 |
| *Net Changes in Fund Balances* | (22,945) | 567,911 | 729,665 | (238,796) | (259,563) | 776,272 |
| *Fund Balances Beginning of Year* | 3,662,346 | 2,513,347 | 493,427 | 760,808 | 5,309,600 | 12,739,528 |
| *Fund Balances End of Year* | $ 3,639,401 | $ 3,081,258 | $ 1,223,092 | $ 522,012 | $ 5,050,037 | $ 13,515,800 |

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, 2019*

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | $ 776,272 |
| **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 | 2,685,929 | |
| Current Year Depreciation | (2,521,792) | |
| Total | | 164,137 |
| 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 loss on the disposal of capital assets and the proceeds received. | | |
| Proceeds from Sale of Capital Assets | (52,035) | |
| Loss on Disposal of Capital Assets | (12,667) | |
| Total | | (64,702) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Taxes | 53,943 | |
| Intergovernmental | (246,338) | |
| Charges for Services | (332) | |
| Total | | (192,727) |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | 1,588,684 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | (4,749,394) |
| Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as pension expense in the statement of activities. | | (883,430) |
| 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. | | (521,061) |
| 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. | | 629,431 |
| 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. | | 114,865 |
| New capital lease obligations in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. | | (153,156) |
| 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 | (131,584) | |
| Total | | (131,584) |
| **Net Change in Net Position of Governmental Activities** | | $ (3,422,665) |

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, 2019*

| | Budgeted Amounts | | | Variance with Final Budget: Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **Revenues** | | | | |
| Taxes | $ 5,567,000 | $ 5,567,000 | $ 6,367,783 | $ 800,783 |
| Charges for Services | 1,004,235 | 1,004,255 | 1,198,011 | 193,756 |
| Fees, Licenses and Permits | 1,400 | 1,400 | 1,500 | 100 |
| Fines and Forfeitures | 136,500 | 136,500 | 116,990 | (19,510) |
| Intergovernmental | 1,150,000 | 1,150,000 | 1,262,066 | 112,066 |
| Interest | 160,000 | 160,000 | 283,681 | 123,681 |
| Other | 60,465 | 103,626 | 57,393 | (46,233) |
| *Total Revenues* | 8,079,600 | 8,122,781 | 9,287,424 | 1,164,643 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government: | | | | |
| Legislative and Executive | 2,334,508 | 2,432,784 | 2,369,235 | 63,549 |
| Judicial | 2,105,522 | 2,187,714 | 2,151,192 | 36,522 |
| Public Safety | 3,994,833 | 4,128,599 | 4,062,965 | 65,634 |
| Public Works | 28,516 | 28,201 | 26,221 | 1,980 |
| Health | 110,287 | 88,267 | 87,820 | 447 |
| Human Services | 396,967 | 386,678 | 437,708 | (51,030) |
| Conservation and Recreation | 235,304 | 232,638 | 232,495 | 143 |
| Community and Economic Development | 56,661 | 55,993 | 54,683 | 1,310 |
| Capital Outlay | 153,156 | 153,156 | 153,156 | - |
| Debt Service: | | | | |
| Principal Retirements | 114,865 | 114,865 | 114,865 | - |
| Interest | 7,486 | 7,486 | 7,486 | - |
| *Total Expenditures* | 9,538,105 | 9,816,381 | 9,697,826 | 118,555 |
| *Excess of Revenues Under Expenditures* | (1,458,505) | (1,693,600) | (410,402) | 1,283,198 |
| **Other Financing Sources (Uses):** | | | | |
| Proceeds from Sale of Capital Assets | 12,035 | 12,035 | 12,035 | - |
| Inception of Capital Lease | 153,156 | 153,156 | 153,156 | - |
| Transfers In | - | 184,934 | 185,287 | 353 |
| Advances In | - | - | 186,314 | 186,314 |
| Transfers Out | (209,879) | (195,254) | (151,369) | 43,885 |
| Advances Out | (52,016) | (209,932) | (209,932) | - |
| *Total Other Financing Sources (Uses)* | (96,704) | (55,061) | 175,491 | 230,552 |
| *Net Change in Fund Balance* | (1,555,209) | (1,748,661) | (234,911) | 1,513,750 |
| *Fund Balance at Beginning of Year* | 2,067,146 | 2,067,146 | 2,067,146 | - |
| *Prior Year Encumbrances Appropriated* | 105,591 | 105,591 | 105,591 | - |
| *Fund Balance at End of Year* | $ 617,528 | $ 424,076 | $ 1,937,826 | $ 1,513,750 |

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, 2019*

| | Budgeted Amounts | | | Variance with Final Budget: Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **Revenues** | | | | |
| Charges for Services | $ 141,688 | $ 141,688 | $ 118,610 | $ (23,078) |
| Fines and Forfeitures | 11,000 | 11,000 | 11,385 | 385 |
| Intergovernmental | 4,215,459 | 4,215,459 | 4,617,306 | 401,847 |
| Interest | 20,000 | 20,000 | 18,747 | (1,253) |
| Other | 135,420 | 135,420 | 76,086 | (59,334) |
| *Total Revenues* | 4,523,567 | 4,523,567 | 4,842,134 | 318,567 |
| **Expenditures** | | | | |
| Current: | | | | |
| Public Works | 3,504,363 | 4,045,804 | 3,447,285 | 598,519 |
| Capital Outlay | 1,630,421 | 1,630,421 | 1,630,421 | - |
| Debt Service: | | | | |
| Principal Retirements | 182,931 | 141,114 | 141,114 | - |
| Interest and Fiscal Charges | 7,069 | 7,069 | 7,069 | - |
| *Total Expenditures* | 5,324,784 | 5,824,408 | 5,225,889 | 598,519 |
| Excess of Revenues Under Expenditures | (801,217) | (1,300,841) | (383,755) | 917,086 |
| **Other Financing Sources:** | | | | |
| Issuance of OPWC Loans | 283,751 | 283,751 | 283,751 | - |
| Transfers In | 100,000 | 100,000 | - | (100,000) |
| Proceeds from Sale of Capital Assets | 40,000 | 40,000 | 40,000 | - |
| Total Other Financing Sources | 423,751 | 423,751 | 323,751 | (100,000) |
| *Net Change in Fund Balance* | (377,466) | (877,090) | (60,004) | 817,086 |
| *Fund Balance at Beginning of Year* | 1,331,474 | 1,331,474 | 1,331,474 | - |
| *Prior Year Encumbrances Appropriated* | 377,466 | 377,466 | 377,466 | - |
| *Fund Balance at End of Year* | $ 1,331,474 | $ 831,850 | $ 1,648,936 | $ 817,086 |

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, 2019*

| | Budgeted Amounts | | | Variance with Final Budget: Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **Revenues** | | | | |
| Property Taxes | $ 1,616,585 | $ 1,616,585 | $ 1,754,976 | $ 138,391 |
| Charges for Services | 56,467 | 56,467 | 63,700 | 7,233 |
| Intergovernmental | 864,971 | 964,971 | 1,565,194 | 600,223 |
| Other | 28,033 | 38,711 | 32,753 | (5,958) |
| *Total Revenues* | 2,566,056 | 2,676,734 | 3,416,623 | 739,889 |
| **Expenditures** | | | | |
| Current: | | | | |
| Health | 2,970,039 | 3,070,039 | 2,725,838 | 344,201 |
| *Total Expenditures* | 2,970,039 | 3,070,039 | 2,725,838 | 344,201 |
| *Excess of Revenues Under Expenditures* | (403,983) | (393,305) | 690,785 | 1,084,090 |
| **Other Financing Sources (Uses):** | | | | |
| Transfers Out | - | (10,678) | (10,678) | - |
| *Total Other Financing Sources (Uses)* | - | (10,678) | (10,678) | - |
| *Net Change in Fund Balance* | (403,983) | (403,983) | 680,107 | 1,084,090 |
| *Fund Balance at Beginning of Year* | 423,036 | 423,036 | 423,036 | - |
| *Prior Year Encumbrances Appropriated* | 69,642 | 69,642 | 69,642 | - |
| *Fund Balance at End of Year* | $ 88,695 | $ 88,695 | $ 1,172,785 | $ 1,084,090 |

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, 2019*

| | Budgeted Amounts | | | Variance with Final Budget: Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **Revenues** | | | | |
| Property Taxes | $ 1,817,000 | $ 1,817,000 | $ 1,822,032 | $ 5,032 |
| Charges for Services | 816,000 | 823,789 | 734,430 | (89,359) |
| Intergovernmental | 215,800 | 215,800 | 218,416 | 2,616 |
| *Total Revenues* | 2,848,800 | 2,856,589 | 2,774,878 | (81,711) |
| **Expenditures** | | | | |
| Current: | | | | |
| Health | 3,260,143 | 3,327,931 | 3,062,442 | 265,489 |
| Debt Service: | | | | |
| Principal Retirements | 130,886 | 130,886 | 130,570 | 316 |
| Interest & Fiscal Charges | 4,114 | 4,114 | 4,114 | - |
| | - | | | |
| *Total Expenditures* | 3,395,143 | 3,462,931 | 3,197,126 | 265,805 |
| *Net Change in Fund Balance* | (546,343) | (606,342) | (422,248) | 184,094 |
| *Fund Balance at Beginning of Year* | 722,055 | 722,055 | 722,055 | - |
| *Prior Year Encumbrances Appropriated* | 86,643 | 86,643 | 86,643 | - |
| *Fund Balance at End of Year* | $ 262,355 | $ 202,356 | $ 386,450 | $ 184,094 |

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, 2019*

| **Assets** | **Sewer Fund** |
|---|---|
| *Current Assets* | |
| Equity in Pooled Cash | |
| and Cash Equivalents | $ 404,836 |
| Intergovernmental Receivable | 843,634 |
| Accounts Receivable (net of | |
| allowance, where applicable) | 72,579 |
| Total Current Assets | 1,321,049 |
| *Noncurrent Assets* | |
| Non-depreciable Capital Assets | 7,563,236 |
| Depreciable Capital Assets, Net | 813,873 |
| *Total Noncurrent Assets* | 8,377,109 |
| *Total Assets* | 9,698,158 |
| **Deferred Outflows of Resources** | |
| Pensions | 40,874 |
| OPEB | 9,347 |
| *Total Deferred Outflows of Resources* | 50,221 |
| **Liabilities** | |
| *Current Liabilities* | |
| Accounts Payable | 74,069 |
| Accrued Wages and Benefits Payable | 2,143 |
| Intergovernmental Payable | 942 |
| Contracts Payable | 982,437 |
| Compensated Absences - Current | 810 |
| Capital Leases - Current | 8,535 |
| Revenue Bonds - Current | 15,600 |
| Total Current Liabilities | 1,084,536 |
| *Noncurrent Liabilities* | |
| Compensated Absences - Net of Current | 12,490 |
| OWDA Loan Payable | 1,627,546 |
| Revenue Bonds - Net of Current | 336,000 |
| Net Pension Liability | 107,333 |
| Net OPEB Liability | 49,325 |
| Total Noncurrent Liabilities | 2,132,694 |
| *Total Liabilities* | 3,217,230 |
| **Deferred Inflows of Resources** | |
| Pension | 1,827 |
| OPEB | 134 |
| *Total Deferred Inflows of Resources* | 1,961 |
| **Net Position** | |
| Net Investment in Capital Assets | 5,406,991 |
| Unrestricted | 1,122,197 |
| *Total Net Position* | $ 6,529,188 |

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, 2019*

| | | Sewer Fund |
|---|---|---|
| **Operating Revenues** | | |
| Charges for Services | $ | 218,495 |
| Other Operating Revenues | | 6,953 |
| *Total Operating Revenues* | | 225,448 |
| **Operating Expenses** | | |
| Salaries and Wages | | 70,508 |
| Fringe Benefits | | 52,710 |
| Contractual Services | | 48,572 |
| Depreciation | | 63,068 |
| Materials and Supplies | | 24,457 |
| Other | | 15,560 |
| *Total Operating Expenses* | | 274,875 |
| *Operating Loss* | | (49,427) |
| **Nonoperating Expenses** | | |
| Interest and Fiscal Charges | | (5,254) |
| *Total Nonoperating Expenses* | | (5,254) |
| *Change in Net Position Before Capital Contributions* | | (54,681) |
| Capital Contributions - Assessments | | 14,889 |
| Capital Contributions - Intergovernmental | | 5,516,160 |
| *Total Capital Contributions* | | 5,531,049 |
| *Change in Net Position* | | 5,476,368 |
| *Net Position at Beginning of Year* | | 1,052,820 |
| *Net Position at End of Year* | $ | 6,529,188 |

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, 2019*

| | Sewer Fund |
|---|---|
| ***Increase in Cash and Cash Equivalents:*** | |
| ***Cash Flows from Operating Activities:*** | |
| Cash Received from Customers | $ 201,363 |
| Cash Received from Other Revenues | 6,953 |
| Cash Payments to Suppliers for Goods and Services | (28,822) |
| Cash Payments to Employees for Services and Benefits | (150,705) |
| *Net Cash Provided by Operating Activities* | 28,789 |
| ***Cash Flows from Capital and Related Financing Activities:*** | |
| Proceeds from OWDA Loans | 5,022,297 |
| Payments for Capital Acquisitions | (6,193,615) |
| Capital Contributions- Intergovernmental | 4,762,071 |
| Capital Contributions- Special Assessments | 14,889 |
| Principal Payments | (3,456,633) |
| Interest Payments | (5,254) |
| *Net Cash Used for Capital and Related Financing Activities* | 143,755 |
| Net Increase in Cash and Cash Equivalents | 172,544 |
| Cash and Cash Equivalents at Beginning of Year | 232,292 |
| Cash and Cash Equivalents at End of Year | $ 404,836 |
| ***Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:*** | |
| Operating Loss | $ (49,427) |
| *Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:* | |
| Depreciation | 63,068 |
| Pension Expense Not Affecting Cash | (11,942) |
| OPEB Expense Not Affecting Cash | (21,531) |
| Changes in Assets and Liabilities: | |
| Increase in Accounts Receivable | (17,132) |
| Increase in Accounts Payable | 59,767 |
| Increase in Compensated Absences | 4,544 |
| Increase in Accrued Wages and Benefits Payable | 1,442 |
| Total Adjustments | 78,216 |
| Net Cash Provided by Operating Activities | $ 28,789 |

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, 2019*

| | | |
|---|---|---|
| **Assets** | | |
| Equity in Pooled Cash and Cash Equivalents | $ | 3,866,674 |
| Cash and Cash Equivalents in Segregated Accounts | | 139,220 |
| Taxes Receivable | | 30,887,747 |
| Intergovernmental Receivable | | 1,711,893 |
| *Total Assets* | $ | 36,605,534 |
| **Liabilities** | | |
| Due to Other Governments | $ | 36,077,254 |
| Undistributed Monies | | 528,280 |
| *Total Liabilities* | $ | 36,605,534 |

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 Unit:*** 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.

## ***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 2019. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, fines and forfeitures collected and distributed to other political subdivisions, and for certain County department outside bank accounts.

### ***Measurement Focus:***

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

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

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

*Revenues – Exchange and Nonexchange Transactions*

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest. The permissive sales taxes, various State of Ohio non-reimbursable grants, local government, local government revenue assistance, gasoline tax, motor vehicle license tax, and undivided library taxes are recognized as receivables in accordance with the fiscal year of the State of Ohio that ends June 30, 2020. 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, 2019 for pensions/OPEB. The deferred outflows of resources related to the pension are explained in Note 10. The deferred outflows of resources related to OPEB are explained in Note 11. The County also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the County, these amounts consist of special assessments which are not collected in the available period, intergovernmental receivables which are not collected in the available period, and pensions/OPEB. Property taxes for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance fiscal year 2020 operations, have also been recorded as deferred inflows of resources.

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

*Expenses/Expenditures*

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

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

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

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

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

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

During fiscal year 2019, investments were limited to STAR Ohio, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation securities, Federal Home Loan Banks, Federal Farm Credit Banks, U.S. Treasury notes, money market funds, and negotiable certificates of deposit.

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

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transaction to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Interest is distributed to the General Fund, the Motor Vehicle Gas Tax Fund and a non-major special revenue fund. The interest earned during 2019 amounted to $408,306, $18,468 and $2,122 respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| | General | Motor Vehicle Gas Tax | Board of Developmental Disablities | Emergency Medical Services |
|---|---|---|---|---|
| GAAP Basis | $ (22,945) | $ 567,911 | $ 729,665 | $ (238,796) |
| Increases (Decreases) Due to: | | | | |
| Revenue Accruals | 204,265 | (325,751) | 30,168 | (67,027) |
| Expenditure Accruals | (360,557) | (211,815) | 10,144 | 7,656 |
| Encumbrances | (127,979) | (90,349) | (89,870) | (124,081) |
| Perspective Difference: | | | | |
| Activity of Funds Reclassified | | | | |
| For GAAP Reporting Purposes | | | | |
| Non-Budgeted Funds | 72,305 | - | - | - |
| Budget Basis | $ (234,911) | $ (60,004) | $ 680,107 | $ (422,248) |

***NOTE 4 - DEPOSITS AND INVESTMENTS***

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

Monies held by the County that are not considered active are classified as inactive. Inactive monies may be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

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

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

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

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

***NOTE 4 - DEPOSITS AND INVESTMENTS - (CONTINUED)***

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

6. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143 (6); and repurchase agreements secured by such obligations, provided these investments are made only through eligible institutions;

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

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value, within certain limitations;

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

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

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

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

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

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

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

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

<u>Cash on Hand</u> At year end, the County had $138,188 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, $7,831,313 of the County's bank balance of $9,618,307 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.

<u>Investments</u> As of December 31, 2019, the County had the following investment and maturity:

| | | Weighted Average Maturity | | |
|---|---|---|---|---|
| | Carrying/Fair | <1 Year | 1 - 2 Years | 3-5 Years |
| Negotiable Certificates of Deposit | $ 3,544,122 | $ - | $ 597,437 | $ 2,946,685 |
| Money Market Funds | 2,020,704 | 2,020,704 | - | - |
| STAR Ohio | 73,451 | 73,451 | - | - |
| Federal Home Loan Banks | 384,946 | - | - | 384,946 |
| Federal Farm Credit Banks | 274,051 | | | 274,051 |
| Federal National Mortgage Association | 988,885 | 514,503 | 474,382 | - |
| Federal Home Loan Mortgage Corporation | 339,449 | - | - | 339,449 |
| U.S. Treasury Notes | 239,448 | 239,448 | - | - |
| Total Investments | $ 7,865,056 | $ 2,848,106 | $ 1,071,819 | $ 3,945,131 |

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, 2019. As discussed further in Note 2, STAR Ohio is reported at its share price. All other investments of the County are valued using quoted market prices (Level 1 inputs).

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

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy does not address credit risk beyond the requirements of the Ohio Revised Code. Investments in Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, Federal Farm Credit Banks, and Federal National Mortgage Association were rated AA+ by Standard & Poor's and Aaa by Moody's. The County's investments in individual marketable certificates of deposit are fully insured by the Federal Deposit Insurance Corporation. Investments in the First American Treasury Money Market Fund and STAR Ohio were rated AAAm by Standard & Poor's.

***NOTE 4 - DEPOSITS AND INVESTMENTS – (CONTINUED)***

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The County's investment policy allows investments in those authorized under the Ohio Revised Code. The County has invested 45.1% in negotiable certificates of deposit, 12.6% in Federal National Mortgage Association, 3.0% in U.S. Treasury Notes, 4.9% in Federal Home Loan Banks, 3.5% in Federal Farm Credit Banks, 4.3% in Federal Home Loan Mortgage Corporation, .9% in STAR Ohio, and 25.7% in Money Market Funds.

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

***NOTE 5 - PROPERTY TAXES***

Property taxes include amounts levied against all real and public utility personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years. The last reappraisal was completed in 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, 2019. 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 2019 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, 2019, was $17.45 per $1,000 of assessed value. The assessed values of real property upon which 2019 property tax receipts were based are as follows:

| | |
|---|---|
| Real Estate | |
| Residential/Agricultural | $ 581,017,190 |
| Commercial/Industrial | 51,613,330 |
| Public Utilities | 88,710 |
| Minerals | 332,470 |
| Tangible Personal Property | |
| Public Utilities | 281,711,110 |
| Total Property | $ 914,762,810 |

## *NOTE 6 - PERMISSIVE SALES TAX*

The County Commissioners, by resolution, imposed a 1.25 percent tax on certain retail sales, made in the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited entirely to the General Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2019 amounted to $4,401,283.

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 2019 amounted to $879,333.

## *NOTE 7 - CAPITAL ASSETS*

Capital asset activity for the year ended December 31, 2019 was as follows:

| | Balance at January 1, 2019 | Additions | Deletions | Balance December 31, 2019 |
|---|---|---|---|---|
| ***Governmental Activities*** | | | | |
| Non-Depreciable Capital Assets | | | | |
| Land | $ 813,212 | $ - | $ - | $ 813,212 |
| Total Non-Depreciable Capital Assets | 813,212 | - | - | 813,212 |
| Depreciable Capital Assets | | | | |
| Land Improvements | 239,812 | 1,009 | - | 240,821 |
| Buildings | 7,438,971 | 437,349 | - | 7,876,320 |
| Infrastructure | 38,965,795 | 1,619,676 | - | 40,585,471 |
| Vehicles | 5,556,069 | 234,185 | (137,522) | 5,652,732 |
| Machinery and Equipment | 6,452,262 | 393,710 | (577,805) | 6,268,167 |
| Total Depreciable Capital Assets | 58,652,909 | 2,685,929 | (715,327) | 60,623,511 |
| Less Accumulated Depreciation for | | | | |
| Land Improvements | (102,233) | (15,594) | - | (117,827) |
| Buildings | (2,270,391) | (275,741) | - | (2,546,132) |
| Infrastructure | (19,893,842) | (1,461,617) | - | (21,355,459) |
| Vehicles | (3,290,177) | (392,511) | 105,756 | (3,576,932) |
| Machinery and Equipment | (3,706,296) | (376,329) | 544,869 | (3,537,756) |
| Total Accumulated Depreciation | (29,262,939) | (2,521,792) | 650,625 | (31,134,106) |
| Total Depreciable Capital Assets, Net | 29,389,970 | 164,137 | (64,702) | 29,489,405 |
| Governmental Activities Capital Assets, Net | $ 30,203,182 | $ 164,137 | $ (64,702) | $ 30,302,617 |

## *NOTE 7 - CAPITAL ASSETS – (CONTINUED)*

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| Governmental Activities | |
| General Government | |
| Legislative and Executive | $ 108,815 |
| Judical | 114,646 |
| Public Safety | 464,606 |
| Public Works | 1,673,866 |
| Health | 100,080 |
| Human Services | 57,114 |
| Conservation and Recreation | 2,665 |
| Total Depreciation Expense - Governmental Activities | $ 2,521,792 |

| | Balance at January 1, 2019 | Additions | Deletions | Balance at December 31, 2019 |
|---|---|---|---|---|
| Business Type Activities | | | | |
| Non-Depreciable Capital Assets | | | | |
| Land | $ 29,000 | $ - | $ - | $ 29,000 |
| Construction in Progress | 393,700 | 7,140,536 | - | 7,534,236 |
| Total Non-Depreciable Capital Assets | 422,700 | 7,140,536 | - | 7,563,236 |
| Depreciable Capital Assets | | | | |
| Wastewater Treatment Plant | 362,597 | - | - | 362,597 |
| Vehicles | 25,630 | - | - | 25,630 |
| Collection System | 1,829,858 | - | - | 1,829,858 |
| Total Depreciable Capital Assets | 2,218,085 | - | - | 2,218,085 |
| Less Accumulated Depreciation for | | | | |
| Wastewater Treatement Plant | (362,597) | - | - | (362,597) |
| Vehicle | (2,563) | (5,126) | - | (7,689) |
| Collection System | (975,984) | (57,942) | - | (1,033,926) |
| Total Accumulated Depreciation | (1,341,144) | (63,068) | - | (1,404,212) |
| Total Depreciable Capital Assets, Net | 876,941 | (63,068) | - | 813,873 |
| Business Type Activities Capital Assets, Net | $ 1,299,641 | $ 7,077,468 | $ - | $ 8,377,109 |

## *NOTE 8 - INTERGOVERNMENTAL RECEIVABLES*

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

| Fund/Type | Amount |
|---|---|
| **Major Funds** | |
| General Fund | |
| Local Government | $ 197,749 |
| Homestead Rollback | 143,450 |
| Other | 145,582 |
| *Total General Fund* | 486,781 |
| Motor Vehicle Gas Tax | |
| License, Gasoline & Permissive Taxes | 1,701,043 |
| Other | 13,970 |
| *Total Motor Vehicle Gas Tax* | 1,715,013 |
| Board of Developmental Disabilities | |
| Grants and Entitlements | 61,160 |
| Homestead Rollback | 113,971 |
| Other | 8,104 |
| *Total Board of Developmental Disablilities* | 183,235 |
| Emergency Medical Services | |
| Homestead Rollback | 109,001 |
| *Total Emergency Medical Services* | 109,001 |
| ***Total Major Funds*** | 2,494,030 |
| | |
| *Other Governmental Funds* | |
| Grants and Entitlements | 63,049 |
| Homestead Rollback | 19,835 |
| Other | 61,492 |
| *Total Other Governmental Funds* | 144,376 |
| **Total Intergovernmental Receivables** | |
| **Governmental Funds** | $ 2,638,406 |
| | |
| *Agency Funds* | |
| License, Gasoline and Permissive Taxes | $ 606,424 |
| Undivided Library Tax | 520,857 |
| Local Government | 512,080 |
| Other | 72,532 |
| Total Agency Funds | $ 1,711,893 |

## ***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 2019, Hocking County paid $154,640 to the Council for insurance coverage. This jointly governed organization is a cost-sharing pool.

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

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

## ***NOTE 10- DEFINED BENEFIT PENSION PLANS***

### *Net Pension Liability*

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

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

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

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

***Net Pension Liability (continued)***

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

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

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

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

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

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

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

## *NOTE 10- DEFINED BENEFIT PENSION PLANS - (CONTINUED)*

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

| **Group A**<br>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | **Group B**<br>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | **Group C**<br>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:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| **Formula:**<br>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:**<br>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:**<br>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:**<br>Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | **Age and Service Requirements:**<br>Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | **Age and Service Requirements:**<br>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:**<br>Age 52 with 15 years of service credit | **Age and Service Requirements:**<br>Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | **Age and Service Requirements:**<br>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:**<br>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:**<br>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:**<br>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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections.

## *NOTE 10- DEFINED BENEFIT PENSION PLANS - (CONTINUED)*

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

Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State and Local | Public Safety | Law Enforcement |
|---|---|---|---|
| **2019 Statutory Maximum Contribution Rates** | | | |
| Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee | 10.0 % | * | ** |
| | | | |
| **2019 Actual Contribution Rates** | | | |
| Employer: | | | |
| Pension | 14.0 % | 18.1 % | 18.1 % |
| Post-employment Health Care Benefits | 0.0 | 0.0 | 0.0 |
| Total Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee | 10.0 % | 12.0 % | 13.0 % |

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

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

The County's contractually required contribution was $1,596,862 for 2019. Of this amount, $80,139 is reported as an intergovernmental payable.

***NOTE 10- DEFINED BENEFIT PENSION PLANS - (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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | OPERS |
|---|---|
| Proportionate Share of the Net Pension Liability - Current Year | 0.0762540% |
| Proportionate Share of the Net Pension Liability - Prior Year | 0.0744930% |
| Change in Proportionate Share | 0.0017610% |
| Proportion of the Net Pension Liability | $20,884,424 |
| Pension Expense | $4,773,804 |

At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| **Deferred Outflows of Resources** | **OPERS** |
|---|---|
| Differences between expected and actual economic experience | $ 964 |
| Changes of assumptions | 1,818,041 |
| Differences between projected and actual investment earnings | 2,834,602 |
| Changes in County proportionate share | 227,403 |
| County contributions subsequent to the measurement date | 1,596,862 |
| Total | $6,477,872 |

| **Deferred Inflows of Resources** | **OPERS** |
|---|---|
| Differences between expected and actual economic experience | $ 274,224 |
| Changes in County proportionate share | 13,626 |
| Total | $287,850 |

## *NOTE 10- DEFINED BENEFIT PENSION PLANS - (CONTINUED)*

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

$1,596,862 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | OPERS |
|---|---|
| Year Ending December 31: | |
| 2020 | $2,002,509 |
| 2021 | 1,009,385 |
| 2022 | 262,964 |
| 2023 | 1,318,302 |
| Total | $4,593,160 |

### *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, 2018, 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 including wage inflation at 3.25 percent |
| COLA or Ad Hoc COLA: | |
| Pre-January 7, 2013 Retirees | 3 percent, simple |
| Post-January 7, 2013 Retirees | 3 percent simple, through 2018, then 2.15 percent, simple |
| Investment Rate of Return | 7.2 percent |
| Actuarial Cost Method | Individual Entry Age |

## ***NOTE 10- DEFINED BENEFIT PENSION PLANS - (CONTINUED)***

### *Actuarial Assumptions – OPERS (continued)*

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

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

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

During 2018, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

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

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

***Actuarial Assumptions – OPERS (continued)***

The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed income | 23.00 % | 2.79 % |
| Domestic equities | 19.00 | 6.21 |
| Real estate | 10.00 | 4.90 |
| Private equity | 10.00 | 10.81 |
| International equities | 20.00 | 7.83 |
| Other investments | 18.00 | 5.50 |
| Total | 100.00 % | 5.66 % |

***Discount Rate***

The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.20 percent) or one-percentage-point higher (8.20 percent) than the current rate:

| | 1% Decrease (6.20%) | Current Discount Rate (7.20%) | 1% Increase (8.20%) |
|---|---|---|---|
| County's proportionate share of the net pension liability | $30,852,368 | $20,884,424 | $12,600,974 |

## *NOTE 11 – DEFINED BENEFIT OPEB PLANS*

### *Net OPEB Liability*

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

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

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 OPEB are financed; however, the County does receive the benefit of employees' services in exchange for compensation including OPEB.

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

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

### *Plan Description – Ohio Public Employees Retirement System (OPERS)*

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2019 is 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was $0 for 2019.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The County's proportion of the net OPEB liability was based on the County's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | OPERS |
|---|---|
| Proportion of the Net OPEB Liability: | |
| Current Measurement Date | 0.072908% |
| Prior Measurement Date | 0.071570% |
| Change in Proportionate Share | 0.0013380% |
| Proportionate Share of the Net OPEB Pension Liability | $9,505,482 |
| OPEB Expense | $883,430 |

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

At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | OPERS |
|---|---|
| **Deferred Outflows of Resources** | |
| Differences between expected and actual experience | $3,219 |
| Changes of assumptions | 306,469 |
| Net difference between projected and actual earnings on pension plan investments | 435,770 |
| Changes in proportion and differences between County contributions and changes in County proportion | 116,868 |
| Total Deferred Outflows of Resources | $862,326 |
| **Deferred Inflows of Resources** | |
| Differences between expected and actual experience | $25,792 |
| Changes in proportion and differences between County contributions and proportionate changes in County proportion | 38,683 |
| Total Deferred Inflows of Resources | $64,475 |

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

| | OPERS |
|---|---|
| Year Ending December 31: | |
| 2020 | $371,044 |
| 2021 | 134,035 |
| 2022 | 73,245 |
| 2023 | 219,527 |
| Total | $797,851 |

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

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| | |
|---|---|
| Wage Inflation | 3.25 percent |
| Projected Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| Single Discount Rate: | |
| Current measurement date | 3.96 percent |
| Prior Measurement date | 3.85 percent |
| Investment Rate of Return | 6.00 percent |
| Municipal Bond Rate | 3.71 percent |
| Health Care Cost Trend Rate | 10.0 percent, initial<br>3.25 percent, ultimate in 2029 |
| Actuarial Cost Method | Individual Entry Age |

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60% for 2018.

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

***Actuarial Assumptions – OPERS (continued)***

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 34.00 % | 2.42 % |
| Domestic Equities | 21.00 | 6.21 |
| Real Estate Investment Trust | 6.00 | 5.98 |
| International Equities | 22.00 | 7.83 |
| Other investments | 17.00 | 5.57 |
| Total | 100.00 % | 5.16 % |

***Discount Rate*** A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** The following table presents the County's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

| | 1% Decrease (2.96%) | Current Discount Rate (3.96%) | 1% Increase (4.96%) |
|---|---|---|---|
| County's proportionate share of the net OPEB liability | $12,161,055 | $9,505,482 | $7,393,600 |

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

***Actuarial Assumptions – OPERS (continued)***

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

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

| | 1% Decrease | Current Health Care Cost Trend Rate Assumption | 1% Increase |
|---|---|---|---|
| County's proportionate share of the net OPEB liability | $9,136,830 | $9,505,482 | $9,930,069 |

## ***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 12/31/2018 | Increases | Decreases | Outstanding 12/31/2019 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | - | - | - | - | - |
| Long-Term Notes: | | | | | |
| 2003 - 4.15% (Original Issue $277,692) | | | | | |
| Juvenile Detention Facility Note | $ 91,886 | $ - | $ 16,894 | $ 74,992 | $ 17,587 |
| 2012 - 2.75% (Original Issue $520,000) | | | | | |
| Logan-Health Department | 103,543 | - | 103,543 | - | - |
| 2017 - 3.00% (Original Issue $150,000) | | | | | |
| Equipment Loan | 120,000 | - | 30,000 | 90,000 | 30,000 |
| 2017 - 0.00% (Original Issue $36,928) | | | | | |
| OPWC Loan CR 15T - County Paving | 32,971 | - | 2,638 | 30,333 | 2,638 |
| 2018 - 0.00% (Original Issue $49,000) | | | | | |
| OPWC Loan CR 15U - County Paving | 44,100 | - | 9,800 | 34,300 | 9,800 |
| 2014 - 0% (Original Issue $250,000) | | | | | |
| OPWC Loan CR19R - County Paving | 75,000 | - | 50,000 | 25,000 | 25,000 |
| 2015 - 2.5% (Original Issue $634,530) | | | | | |
| EMS Equipment Note | 197,078 | - | 130,570 | 66,508 | 66,508 |
| 2018 - 0.00% (Original Issue $140,000) | | | | | |
| Excavator Note | 113,630 | - | 27,161 | 86,469 | 27,968 |
| 2015 - 0% (Original Issue $7,578) | | | | | |
| OPWC Loan CR08S - 2015 County Paving | 3,788 | - | 1,515 | 2,273 | 1,516 |
| 2013 - 0% (Original Issue $200,000) | | | | | |
| OPWC Loan CR17Q - County-City Paving Project | 20,000 | - | 20,000 | - | - |
| 2019 - 0% (Original Issue $100,000) | | | | | |
| OPWC Loan CR10V - County Roads | - | 100,000 | - | 100,000 | 10,000 |
| 2019 - 0% (Original Issue $183,751) | | | | | |
| OPWC Loan CR15W - Ohio Avenue Bridge | - | 183,751 | - | 183,751 | - |
| 2019 - OWDA Principal forgiveness HSTS WPCLF | - | 237,310 | 237,310 | - | - |
| Total Long-Term Notes | 801,996 | 521,061 | 629,431 | 693,626 | 191,017 |
| Capital Leases | 124,770 | 153,156 | 114,865 | 163,061 | 112,570 |
| Pension Liability | 11,629,513 | 9,147,578 | - | 20,777,091 | - |
| OPEB Liability | 7,733,728 | 1,722,429 | - | 9,456,157 | - |
| Compensated Absences | 938,110 | 131,584 | - | 1,069,694 | 62,211 |
| Total Governmental Long-Term Obligations | $ 21,228,117 | $ 11,675,808 | $ 744,296 | $ 32,159,629 | $ 365,798 |

***NOTE 13 - LONG-TERM DEBT (Continued)***

| | Outstanding 12/31/2018 | Increases | Decreases | Outstanding 12/31/2019 | Due Within One Year |
|---|---|---|---|---|---|
| **Enterprise Activities** | | | | | |
| 2019 - 1.62% (Original Issue $143,298) | | | | | |
| OWDA 8617 - Rockbridge to Logan Design | - | 143,298 | - | 143,298 | - |
| 2019 - 0% (Original Issue $104,626) | | | | | |
| OWDA 8696 - Design Union Furnace WWS | - | 104,626 | 104,626 | - | - |
| 2018 - 0% (Original Issue $304,178) | | | | | |
| OWDA 8428 - Carbon Hill Sewer Facilities | - | 304,178 | 304,178 | - | - |
| 2019 - 0% (Original Issue $1,340,389) | | | | | |
| OWDA 8231 - Water Pollution Control | - | 1,340,389 | 1,340,389 | - | - |
| 2019 - 0% (Original Issue $352,080) | | | | | |
| OWDA 8287 - Murray City Collection System | - | 352,080 | 352,080 | - | - |
| 2019 - 0.0% (Original Issue $2,612,275) | | | | | |
| OWDA 8272 - Water Pollution Control | - | 2,612,075 | 1,185,062 | 1,427,013 | - |
| 2019 - 3.34% (Original Issue $57,235) | | | | | |
| OWDA 8478 - Fresh Water Fund | - | 57,235 | - | 57,235 | - |
| 2015 - 3.26% (Original Issue $10,629) | | | | | |
| OWDA 7017 - Unsewered Area Planning | 9,929 | 168 | 10,097 | - | - |
| 2018 - 5.875% (Original Issue $104,626) | | | | | |
| OWDA 8198 - Union Furnace Design | 3,807 | 100,819 | 104,626 | - | - |
| 2018 - 5.875% (Original Issue $32,625) | | | | | |
| OWDA 7927 - Rockbridge to Logan Design | 25,196 | 7,429 | 32,625 | - | - |
| 2019 - Principal Forgiveness OWDA | | | | | |
| 1996 - 4.5% (Original Issue $333,000) | | | | | |
| Rockbridge Sanitary Sewer Revenue Bonds | 232,300 | - | 7,700 | 224,600 | 8,000 |
| 1991 - 5.875% (Original Issue $227,000) | | | | | |
| Haydenville Sewer FmHA Revenue Bonds | 134,200 | - | 7,200 | 127,000 | 7,600 |
| Total Revenue Bonds and Loans | 405,432 | 5,022,297 | 3,448,583 | 1,979,146 | 15,600 |
| | | | | | |
| Capital Leases | 16,585 | - | 8,050 | 8,535 | 8,535 |
| Pension Liability | 56,994 | 50,339 | - | 107,333 | - |
| OPEB Liability | 38,247 | 11,078 | - | 49,325 | - |
| Compensated Absences | 8,756 | 4,544 | - | 13,300 | 810 |
| Total Enterprise Activities | $ 526,014 | $ 5,088,258 | $ 3,456,633 | $ 2,157,639 | $ 24,945 |

***NOTE 13 - LONG-TERM DEBT – (CONTINUED)***

The County has pledged future sewer customer revenues, net of specified operating expenses, to repay $224,600 and $127,000 (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 $512,882. Principal and interest paid for the current year and total customer net revenues were $33,538 and $28,530, 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 note was repaid from the debt service fund during 2019.

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 was paid in full during 2019 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 unsewered area planning. The loan was issued for a 5-year period at a 3.26% rate. The loan was paid in full during 2019 by the issuance of OWDA loan 8617.

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

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

During 2017, the County obtained a loan in the amount of $150,000 for the purpose of purchasing equipment for the engineer's department. The loan was issued at an interest rate of 3.0% with a final maturity date of October 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.

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

During 2018, the County issued a note in the amount of $140,000 for the purpose of purchasing an excavator. The loan was issued at an interest rate of 3.0% with a final maturity date of May 12, 2022. The note is being repaid from the Motor Vehicle Gas Tax Fund.

***NOTE 13 - LONG-TERM DEBT – (CONTINUED)***

During 2019, the County issued an OPWC loan in the amount of $100,000 at 0% interest for the County Paving Project. This loan is being repaid from the Motor Vehicle Gas Tax Fund. This loan is not included in the summary listed below as the loan was not finalized as of December 31, 2019.

During 2019, the County issued an OPWC loan in the amount of $183,751 at 0% interest for the County Paving Project. This loan is being repaid from the Motor Vehicle Gas Tax Fund. This loan is not included in the summary listed below as the loan was not finalized as of December 31, 2019.

During 2018, the County issued an OWDA loan in the amount of $352,080 for the purpose improving the Murray City Sewer Facilities. The loan was paid in full in 2019.

During 2018, the County issued an OWDA loan in the amount of $304,178 for improvements to Carbon Hill Sanitary Sewer. The loan was paid in full in 2019.

During 2019, the County issued two OWDA loans totaling $237,310 for septic tank installations. The loans were repaid through a principal forgiveness program from the OWDA in 2019.

During 2018, the County issued an OWDA loan in the amount of $3,807 for the purpose designing the Union Furnace Sewer Facilities. During 2019 an additional $100,819 was issued. The loan was paid in full during 2019.

During 2018, the County issued an OWDA loan in the amount of $25,196 for the purpose designing the sewage transport system from Rockbridge to Logan. During 2019 an additional amount of $7,429 was issued. The loan was paid in full during 2019 by the issuance of OWDA loan 8617.

During 2019, the County issued OWDA loan 8231 in the amount of $1,340,389 for the purpose of water pollution control at the Carbon Hill Sewer Facility. The 0% interest loan is split into principal forgiveness and non-principal forgiveness. During 2019 only principal forgiveness disbursements were made.

During 2019, the County issued OWDA loan 8272 in the amount of $2,612,075 for the purpose of water pollution control at the Murray System Collection Facility. The 0% interest loan is split into principal forgiveness and non-principal forgiveness. The non-principal forgiveness portion of the loan is scheduled to be repaid in 2065 but this loan is not included in the amortization schedule as the loan was not finalized as of December 31, 2019.

During 2019, the County issued OWDA loan 8478 in the amount of $57,235 for improvements to the Fresh Water Fund. The 3.34% interest loan is scheduled to be repaid in 2025. This loan is not included in the summary listed below as the loan was not finalized as of December 31, 2019.

During 2019, the County issued OWDA loan 8617 in the amount of $143,298 for the purpose of water pollution control at the Rockbridge Sewer Facility. The 1.62% interest loan is scheduled to be repaid by 2051. This loan is not included in the summary listed below as the loan was not finalized as of December 31, 2019.

***NOTE 13 - LONG-TERM DEBT – (CONTINUED)***

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

| | Equipment Loan | | Sanitary Sewer Revenue Bonds | |
|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest |
| 2020 | $ 30,000 | $ 2,745 | $ 15,600 | $ 17,555 |
| 2021 | 30,000 | 1,825 | 16,700 | 16,735 |
| 2022 | 30,000 | 912 | 17,700 | 15,874 |
| 2023 | - | - | 18,500 | 14,960 |
| 2024 | - | - | 19,500 | 14,004 |
| 2025-2029 | - | - | 113,700 | 53,790 |
| 2030-2034 | - | - | 98,600 | 23,732 |
| 2035-2037 | - | - | 51,300 | 4,632 |
| Totals | $ 90,000 | $ 5,482 | $ 351,600 | $ 161,282 |

| | Juvenile Detention Facility Notes | | EMS Note | | Excavator Loan | |
|---|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | $ 17,587 | $ 3,120 | $ 66,508 | $ 834 | $ 27,968 | $ 2,601 |
| 2021 | 18,325 | 2,382 | - | - | 28,815 | 1,755 |
| 2022 | 19,086 | 1,621 | - | - | 29,686 | 891 |
| 2023 | 19,994 | 831 | - | - | - | - |
| Totals | $ 74,992 | $ 7,954 | $ 66,508 | $ 834 | $ 86,469 | $ 5,247 |

| | CR15T OPWC Paving | CR19R OPWC Paving | CR15U OPWC Paving | CR08S OPWC Paving |
|---|---|---|---|---|
| | Principal | Principal | Principal | Principal |
| 2020 | $ 2,638 | $ 25,000 | $ 9,800 | $ 1,516 |
| 2021 | 2,638 | - | 9,800 | 757 |
| 2022 | 2,638 | - | 9,800 | - |
| 2023 | 2,638 | - | 4,900 | - |
| 2024 | 2,638 | - | - | - |
| 2025-2029 | 13,190 | - | - | - |
| 2030-2033 | 3,953 | - | - | - |
| Totals | $ 30,333 | $ 25,000 | $ 34,300 | $ 2,273 |

## *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 $673,469, and for business-type activities in the amount of $25,630, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2019 totaled $114,865 in the governmental funds and $8,050 in business-type funds. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2019.

| Fiscal Year Ending June 30, | Amount |
|---|---|
| 2020 | $ 131,401 |
| 2021 | 53,520 |
| Total | 184,921 |
| Less Amount Representing Interest | (13,325) |
| Present Value of Net Minimum Lease Payments | $ 171,596 |

## *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 |
| 2020 | $ 52,044 | $ 22,907 |
| 2021 | 53,617 | 21,334 |
| 2022 | 55,237 | 19,713 |
| 2023 | 56,907 | 18,044 |
| 2024 | 58,627 | 16,324 |
| 2025-2029 | 320,810 | 53,942 |
| 2030-2032 | 179,231 | 8,145 |
| Totals | $ 776,473 | $ 160,409 |

The principal balance outstanding as of December 31, 2019 is reflected as part of Interfund Receivable in the General fund and Interfund Payable in the Hall of Justice fund below.

As of December 31, 2019, receivables and payables that resulted from various interfund transactions were as follows. Except as noted above, the County's General Fund made advances to other funds in anticipation of intergovernmental grant revenue and to cover a deficit cash balance in the General Obligation Debt fund. These will be repaid in fiscal year 2020.

## NOTE 15 - INTERFUND TRANSACTIONS – (CONTINUED)

| | Interfund Payables | Interfund Receivables |
|---|---|---|
| Major Fund: | | |
| General | $ - | $ 830,061 |
| Total Major Fund | - | 830,061 |
| Non-Major Special Revenue Funds: | | |
| Justice Assistance Grant | 9,913 | - |
| High Visibility Enforcement | 343 | - |
| Opioid Grant | 25,332 | - |
| Innovative Prosecution Solution | 18,000 | - |
| Total Non-Major Special Revenue Funds | 53,588 | - |
| Non-Major Capital Projects Fund: | | |
| Hall of Justice Construction Fund | 776,473 | - |
| Total All Funds | $ 830,061 | $ 830,061 |

| Fund Type/Fund | Transfers In | Transfers Out |
|---|---|---|
| Major Funds | | |
| General Fund | $ 13,699 | $ 124,008 |
| Board of Developmental Disablilities | - | 10,678 |
| Total Major Funds | 13,699 | 134,686 |
| Other Governmental Funds | | |
| Non-Major Special Revenue Funds | | |
| PSI Writer Grant | 500 | - |
| Felony Drug Court | 12,692 | - |
| Senior Citizens | - | 175,000 |
| Hocking County EMA | 21,401 | - |
| School Resource Officer | 48,000 | - |
| Municipal Court Special Projects | - | 80,110 |
| Municipal Clerk's Computer | - | 2,400 |
| Opioid | - | 6,140 |
| Total Non-Major Special Revenue Funds | 82,593 | 263,650 |
| Non-Major Capital Projects Funds | | |
| Hall of Justice Construction | 50,517 | - |
| Board of DD | 10,678 | - |
| Senior Center | 175,000 | - |
| Total Non-Major Capital Projects Funds | 236,195 | - |
| Non-Major Debt Service Fund | | |
| Hall of Justice Debt Fund | 74,951 | 50,517 |
| General Obligation Debt Fund | 41,415 | - |
| Total Non-Major Debt Service Fund | 116,366 | 50,517 |
| Total Other Governemental Funds | 435,154 | 314,167 |
| Total All Funds | $ 448,853 | $ 448,853 |

## ***NOTE 15 - INTERFUND TRANSACTIONS – (CONTINUED)***

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.

### ***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 2019, contributed $1,020,843 toward the operating and capital costs of this facility. However, the County has no explicit equity interest in the Commission. Complete financial statements of the joint venture can be obtained from the Corrections Commission of Southeastern Ohio, 16678 Wolfe Bennett Road, Nelsonville, Ohio 45764.

### ***South Central Ohio Job and Family Services***

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 – CHANGES IN ACCOUNTING PRINCIPLES***

For fiscal year 2019, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, and Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for certain asset retirement obligations (AROs). The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the County.

GASB Statement No. 88 establishes criteria to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the County.

## *NOTE 20 – 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 | $ 149,101 | $ - | $ - | $ - | $ - | $ 149,101 |
| Materials & Supplies Inventories | 2,701 | 609,965 | - | - | - | 612,666 |
| **Total of Nonspendable** | 151,802 | 609,965 | - | - | - | 761,767 |
| **Restricted For:** | | | | | | |
| Debt Service | - | - | - | - | 78,362 | 78,362 |
| Capital Projects | - | - | - | - | 214,005 | 214,005 |
| Family and Children First | - | - | - | - | 415,298 | 415,298 |
| Motor Vehicle Gas Tax | - | 2,471,293 | - | - | - | 2,471,293 |
| Municipal Court Special Projects | - | - | - | - | 236,469 | 236,469 |
| Senior Citizens | - | - | - | - | 338,477 | 338,477 |
| Hocking County 911 | - | - | - | - | 1,145,674 | 1,145,674 |
| Wireless 911 | - | - | - | - | 512,304 | 512,304 |
| Law Library | - | - | - | - | 96,563 | 96,563 |
| Board of Developmental Disabilities | - | - | 1,223,092 | - | - | 1,223,092 |
| Emergency Medical Services | - | - | - | 522,012 | - | 522,012 |
| Real Estate Assessment | - | - | - | - | 975,002 | 975,002 |
| Other Purposes | - | - | - | - | 1,841,092 | 1,841,092 |
| **Total Restricted** | - | 2,471,293 | 1,223,092 | 522,012 | 5,853,246 | 10,069,643 |
| **Committed** | 9,193 | - | - | - | - | 9,193 |
| **Assigned** | | | | | | |
| 2020 Appropriations | 1,127,100 | - | - | - | - | 1,127,100 |
| Encumbrances | 55,141 | - | - | - | - | 55,141 |
| **Total Assigned** | 1,182,241 | - | - | - | - | 1,182,241 |
| **Unassigned (deficit)** | 2,296,165 | - | - | - | (803,209) | 1,492,956 |
| **Total Fund Balances** | $ 3,639,401 | $ 3,081,258 | $ 1,223,092 | $ 522,012 | $ 5,050,037 | $ 13,515,800 |

## *NOTE 21 – ACCOUNTABILITY*

As of December 31, 2019, the Hall of Justice Construction, Sheriff's Dive Support Unit, Sheriff LEBG, Opioid Hope Grant, Innovative Prosecution Solution and High Visibility Enforcement funds had a deficit fund balances in the amount of $776,441, $1,019, $2,158, $14,784, $8,464 and $343, respectively, due to the implementation of GAAP.

## *NOTE 22 – SUBSEQUENT EVENT*

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the County. The impact on the County's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The County's investment portfolio and the investments of the pension and other employee benefit plan in which the County participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

## ***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:

### 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 statues 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 Governmental Accounting Standards Board (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 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. The Foundation is a private nonprofit organization that reports under generally accepted accounting principles set forth by Financial Accounting Standards Board (FASB) standards.

### 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 States of America as prescribed by 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.

The Foundation reports under generally accepted accounting principles set forth by FASB standards. As such, certain presentation features for the Foundation have been conformed to the GASB presentation. There were no significant differences between the two frameworks related to the Foundation.

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

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 revenue 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 market.

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 (loss) 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 in the difference between the proceeds received and the cost of investments sold.

The Hospital and Foundation hold investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

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

Donor Restricted Investments

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

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.

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 services, operating the hospital facilities, administrative expenses, and depreciation and amortization. Nonoperating revenues include investment income (losses) and grants and contributions received for purposes other than capital asset acquisition. Nonoperating expenses include interest expense, investment losses, and expenses for grants to the Foundation which represent amounts paid to the Foundation for the benefit of Hocking Valley Medical Group (see Note 16).

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 $5,000 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)***

Compensated Absences

The Hospital's employees earn vacation time at varying rates depending on years of service. Employees may accumulate vacation time, up to 400 hours, to be carried over to the subsequent year. The Hospital's employees also earn sick leave on an annual basis at a flat rate regardless of years of service. Upon retirement, employees age 65 or older with a minimum of 10 years of service, and employees with 30 years of service regardless of age have sick leave balances paid out at 25% of eligible hours at their current rate of pay. The maximum payout is 240 hours. As of December 2019 and 2018, the liability for accrued vacation and sick leave was $931,146 and $877,371, respectively.

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 as 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.

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

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 hospital services rendered by Ohio Public Hospitals to Ohio Medicaid consumers. The Hospital recognized $547,874 and $806,533 in UPL payments in 2019 and 2018, respectively, which are reflected in net patient service revenue. Additionally, the Hospital received 2020 UPL payments in advance which are reflected in the Statements of Net Position as unearned revenue. These amounts are recognized as revenue in the year to which they relate.

Franchise Fee

Effective July 1, 2009, the State of Ohio began assessing a franchise fee to hospitals to fund health care programs. The Hospital incurred franchise fee expenses of $549,511 and $523,442 in 2019 and 2018, respectively, and recorded the amount in supplies and other expenses in the Statements of Revenues, Expenses and Changes in Net Position. Additionally, the Hospital paid the 2019 franchise fee payments in advance, which was reflected in the Statements of Net Position as prepaid expenses as of December 31, 2018. There was no franchise fee liability payable to the State of Ohio at December 31, 2019 and 2018.

***NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (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.

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

Of the Hospital's total operating expenses (approximately $38,304,000 and $35,706,000 during 2019 and 2018), an estimated $835,000 and $304,000 arose from providing services to charity patients during 2019 and 2018, respectively. 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 recognized through this program totaled $1,230,669 and

$926,402 for 2019 and 2018, respectively, and are reported as net patient service revenue in the financial statements.

Pension and Postemployment Benefits Other Than Pensions (OPEB)

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

Subsequent Events

The Hospital has evaluated subsequent events through May 26, 2020, the date the financial statements were available to be issued.

3. **CHANGES IN ACCOUNTING PRINCIPLE**

During 2019, the Hospital implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Changes as a result of this adoption include a breakout of debt from general obligation bonds, capital leases, and direct borrowings. Additionally, we noted additional disclosures relating to provisions within the debt agreements for direct borrowings note payables in the event of default. See Note 9 for additional disclosures related to debt.

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

4. **FUNCTIONAL EXPENSES – FOUNDATION**

The Foundation performs fund-raising services on behalf of the Hospital. Expenses related to providing these services for the year ended December 31, 2019 were as follows:

| | Fundraising |
|---|---|
| Supplies and other expenses | $ 67,289 |
| Depreciation | 40,577 |
| | $ 107,866 |

Expenses related to providing these services for the year ended December 31, 2018 were as follows:

| | Fundraising |
|---|---|
| Supplies and other expenses | $ 52,647 |
| Depreciation | 32,091 |
| | $ 84,738 |

Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the balance sheet date for general expenditures for the years ended December 31 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents | $ 400,134 | $ 160,445 |
| Investments | 170,549 | 332,310 |
| | $ 570,683 | $ 492,755 |

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of net position date. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in certificates of deposit and short-term investments.

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

5. **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 a bank failure, the Hospital's deposits might not be recovered. Through December 31, 2019, FDIC (Federal Deposit Insurance Corporation) 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, 2019 and 2018 totaled $1,967,776 and $1,487,793, respectively, and were subject to the following categories of custodial credit risk:

| | 2019 | 2018 |
|---|---|---|
| Collateral held by the counterparty's agent but not in the name of the Hospital | $ 1,081,453 | $ 579,477 |
| Uninsured and uncollateralized | 110,369 | - |
| Total amount subject to custodial risk | 1,191,822 | 579,477 |
| Amount insured | 775,954 | 908,316 |
| Total bank balances | $ 1,967,776 | $ 1,487,793 |

Investments – The Hospital

The Hospital has adopted an investment policy that is consistent with the allowable investments provided by the Auditor of State. 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)***

The Hospital's investments generally are reported at fair value, as discussed in Note 2. At December 31, 2019 and 2018, the Hospital had the following investments, maturities and rates (per Standard & Poor's), all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

| | 2019 | | |
|---|---|---|---|
| | | Investment Maturities | |
| | Carrying Amount | Less than 1 Year | 1-5 Years |
| Certificates of deposits Money | $ 259,945 | $ 35,036 | $ 224,909 |
| market funds | | | |
| AAA | 216,212 | 216,212 | - |
| Not rated | 359,995 | 359,995 | - |
| | $ 836,152 | $ 611,243 | $ 224,909 |

| | 2018 | | |
|---|---|---|---|
| | | Investment Maturities | |
| | Carrying Amount | Less than 1 Year | 1-5 Years |
| Certificates of deposits Money | $ 256,894 | $ 256,894 | $ - |
| market funds | | | |
| AAA | 260,939 | 260,939 | - |
| Not rated | 355,370 | 355,370 | - |
| | $ 873,203 | $ 873,203 | $ - |

Interest Rate Risk

The Hospital's investment policies limit investment portfolios to maturities of five years or less. All of the Hospital's investments at December 31, 2019 and 2018 have effective maturity dates of less than five years.

Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Hospital's investment policy does not address custodial credit risk. For the years ended December 31, 2019 and 2018, the Hospital is not exposed to custodial credit risk as it relates to its investment portfolio.

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

Concentration of Credit Risk

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

Investments – The Foundation

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

| | 2019 | 2018 |
|---|---|---|
| Mutual funds | $ 170,947 | $ 139,376 |
| Exchange traded funds | 176,282 | 164,029 |
| Common stock | 28,351 | 28,680 |
| Certificates of deposit | 300,227 | 566,408 |
| Money market funds | 294 | 225 |
| | $ 676,101 | $ 898,718 |

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

| | 2019 | 2018 |
|---|---|---|
| Investments - current assets | $ 170,549 | $ 332,310 |
| Board designated investments | 290,000 | 290,000 |
| Donor restricted investments - noncurrent assets | 215,552 | 276,408 |
| | $ 676,101 | $ 898,718 |

The Foundation's investment income (loss) for the year ended December 31 consisted of the following:

| | 2019 | 2018 |
|---|---|---|
| Interest and dividends, net of investment management fees | $ 5,049 | $ 4,166 |
| Net unrealized/realized gain (loss) | 56,128 | (21,257) |
| | $ 61,177 | $ (17,091) |

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

6. **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, 2019 and 2018.

- Money markets – Valued based at the subscription and redemption activity at a $1 stable net asset value (NAV). However, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

- 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.

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

- Exchange traded funds - Valued at the daily closing price as reported by the fund. Exchange traded funds held by the Foundation are funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The exchange traded funds held by the Foundation are deemed to be actively traded.

- Common stock – Valued at the closing price reported on the active market on which the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Hospital's assets at fair value as of December 31, 2019 and 2018. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

| | 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | $ - | $ 576,207 | $ - | $ 576,207 |
| | $ - | $ 576,207 | $ - | $ 576,207 |
| Certificates of deposit | | | | 259,945 |
| Total investments and certificates of deposit | | | | $ 836,152 |

| | 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | $ - | $ 616,309 | $ - | $ 616,309 |
| | $ - | $ 616,309 | $ - | $ 616,309 |
| Certificates of deposit | | | | 256,894 |
| Total investments and certificates of deposit | | | | $ 873,203 |

The Hospital’s policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels during 2019 and 2018.

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

Foundation assets measured at fair value on a recurring basis as of December 31, 2019 are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money market | $ - | $ 294 | $ - | $ 294 |
| Mutual funds: | | | | |
| Money market | 5,754 | - | - | 5,754 |
| Fixed income | 37,959 | - | - | 37,959 |
| Foreign large blend | 21,551 | - | - | 21,551 |
| Foreign large growth | 10,843 | - | - | 10,843 |
| Large growth | 39,789 | - | - | 39,789 |
| Mid-cap growth | 37,056 | - | - | 37,056 |
| Small value | 17,995 | - | - | 17,995 |
| Exchange traded funds: | | | | |
| Fixed income | 43,023 | - | - | 43,023 |
| Foreign large blend | 35,425 | - | - | 35,425 |
| Foreign small/mid blend | 21,374 | - | - | 21,374 |
| Large value | 41,763 | - | - | 41,763 |
| Mid-cap value | 13,826 | - | - | 13,826 |
| Small blend | 20,871 | - | - | 20,871 |
| Common stock: | | | | |
| Energy | 28,351 | - | - | 28,351 |
| | $ 375,580 | $ 294 | $ - | 375,874 |
| Certificates of deposit | | | | 300,227 |
| Total investments and certificates of deposit | | | | $ 676,101 |

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

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money market | $ - | $ 225 | $ - | $ 225 |
| Mutual funds: | | | | |
| Money market | 5,534 | - | - | 5,534 |
| Fixed income | 35,322 | - | - | 35,322 |
| Foreign large blend | 17,164 | - | - | 17,164 |
| Foreign large growth | 8,089 | - | - | 8,089 |
| Large growth | 23,992 | - | - | 23,992 |
| Large value | 11,409 | - | - | 11,409 |
| Mid-cap growth | 24,918 | - | - | 24,918 |
| Small value | 12,948 | - | - | 12,948 |
| Exchange traded funds: | | | | |
| Fixed income | 61,218 | - | - | 61,218 |
| Foreign large blend | 28,567 | - | - | 28,567 |
| Foreign small/mid blend | 13,807 | - | - | 13,807 |
| Large value | 33,870 | - | - | 33,870 |
| Mid-cap value | 10,860 | - | - | 10,860 |
| Small blend | 15,707 | - | - | 15,707 |
| Common stock: | | | | |
| Energy | 28,351 | - | - | 28,351 |
| Financial services | 329 | - | - | 329 |
| | $ 303,405 | $ 225 | $ - | 332,310 |
| Certificates of deposit | | | | 566,408 |
| Total investments and certificates of deposit | | | | $ 898,718 |

The Foundation's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels during 2019 and 2018.

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

## 7. CAPITAL ASSETS

The Hospital's capital asset additions, transfers, retirements, and balances as of and for the years ended December 31, were as follows:

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Transfers | Retirements | Ending Balance |
| Capital assets not being depreciated: | | | | | |
| Land | $ 5,120 | $ - | $ - | $ - | $ 5,120 |
| Construction in process | 17,491 | 227,768 | - | - | 245,259 |
| Total non-depreciable capital assets | 22,611 | 227,768 | - | - | 250,379 |
| Depreciable capital assets: | | | | | |
| Land improvements | 513,647 | - | - | - | 513,647 |
| Buildings and improvements | 17,513,733 | 14,272 | - | - | 17,528,005 |
| Equipment | 20,138,430 | 273,208 | - | - | 20,411,638 |
| Total depreciable capital assets | 38,165,810 | 287,480 | - | - | 38,453,290 |
| Less accumulated depreciation: | | | | | |
| Land improvements | (345,190) | (34,430) | - | - | (379,620) |
| Buildings and improvements | (10,246,786) | (608,960) | - | - | (10,855,746) |
| Equipment | (14,575,666) | (1,840,669) | - | - | (16,416,335) |
| Total accumulated depreciation | (25,167,642) | (2,484,059) | - | - | (27,651,701) |
| Total depreciable capital assets, net | 12,998,168 | (2,196,579) | - | - | 10,801,589 |
| Total capital assets, net | $ 13,020,779 | $ (1,968,811) | $ - | $ - | $ 11,051,968 |

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Transfers | Retirements | Ending Balance |
| Capital assets not being depreciated: | | | | | |
| Land | $ 255,120 | $ - | $ (250,000) | $ - | $ 5,120 |
| Construction in process | 880,565 | 12,941 | (876,015) | - | 17,491 |
| Total non-depreciable capital assets | 1,135,685 | 12,941 | (1,126,015) | - | 22,611 |
| Depreciable capital assets: | | | | | |
| Land improvements | 513,647 | - | - | - | 513,647 |
| Buildings and improvements | 17,340,445 | 173,288 | - | - | 17,513,733 |
| Equipment | 16,249,368 | 3,013,047 | 876,015 | - | 20,138,430 |
| Total depreciable capital assets | 34,103,460 | 3,186,335 | 876,015 | - | 38,165,810 |
| Less accumulated depreciation: | | | | | |
| Land improvements | (309,110) | (36,080) | - | - | (345,190) |
| Buildings and improvements | (9,639,405) | (607,381) | - | - | (10,246,786) |
| Equipment | (13,136,435) | (1,439,231) | - | - | (14,575,666) |
| Total accumulated depreciation | (23,084,950) | (2,082,692) | - | - | (25,167,642) |
| Total depreciable capital assets, net | 11,018,510 | 1,103,643 | 876,015 | - | 12,998,168 |
| Total capital assets, net | $ 12,154,195 | $ 1,116,584 | $ (250,000) | $ - | $ 13,020,779 |

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

Total depreciation and amortization expense related to the Hospital's capital assets for 2019 and 2018 was $2,484,059 and $2,082,692, respectively.

The Foundation's capital asset additions, transfers, retirements, and balances as of and for the years ended December 31, were as follows:

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Transfers | Retirements | Ending Balance |
| Capital assets not being depreciated: | | | | | |
| Land | $ 1,044,078 | $ - | $ - | $ (89,790) | $ 954,288 |
| Total non-depreciable capital assets | 1,044,078 | - | - | (89,790) | 954,288 |
| Depreciable capital assets: | | | | | |
| Buildings and improvements | 1,824,200 | - | - | (129,210) | 1,694,990 |
| Equipment | 12,421 | - | - | - | 12,421 |
| Total depreciable capital assets | 1,836,621 | - | - | (129,210) | 1,707,411 |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | (421,208) | (40,577) | - | 2,423 | (459,362) |
| Equipment | (12,421) | - | - | - | (12,421) |
| Total accumulated depreciation | (433,629) | (40,577) | - | 2,423 | (471,783) |
| Total depreciable capital assets, net | 1,402,992 | (40,577) | - | (126,787) | 1,235,628 |
| Total capital assets, net | $ 2,447,070 | $ (40,577) | $ - | $ (216,577) | $ 2,189,916 |

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Transfers | Retirements | Ending Balance |
| Capital assets not being depreciated: | | | | | |
| Land | $ 161,834 | $ 882,244 | $ - | $ - | $ 1,044,078 |
| Total non-depreciable capital assets | 161,834 | 882,244 | - | - | 1,044,078 |
| Depreciable capital assets: | | | | | |
| Buildings and improvements | 778,490 | 1,045,710 | - | - | 1,824,200 |
| Equipment | 12,421 | - | - | - | 12,421 |
| Total depreciable capital assets | 790,911 | 1,045,710 | - | - | 1,836,621 |
| Less accumulated depreciation: Buildings and improvements | (389,117) | (32,091) | - | - | (421,208) |
| Equipment | (12,421) | - | - | - | (12,421) |
| Total accumulated depreciation | (401,538) | (32,091) | - | - | (433,629) |
| Total depreciable capital assets, net | 389,373 | 1,013,619 | - | - | 1,402,992 |
| Total capital assets, net | $ 551,207 | $ 1,895,863 | $ - | $ - | $ 2,447,070 |

Total depreciation expense related to the Foundation's capital assets for 2019 and 2018 was $40,577 and $32,091, respectively.

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

8. **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. Interest is payable at a variable rate of prime plus 1.04% (5.79% and 6.29% at December 31, 2019 and 2018, respectively). Information relating to the Hospital's line of credit activity as of and for the years ended December 31, is as follows:

| | 2019 | | | |
|---|---|---|---|---|
| | Beginning Balance | Borrowings | Payments | Ending Balance |
| Line of Credit | $ 585,000 | $ - | $ (70,000) | $ 515,000 |

| | 2018 | | | |
|---|---|---|---|---|
| | Beginning Balance | Borrowings | Payments | Ending Balance |
| Line of Credit | $ - | $ 600,000 | $ (15,000) | $ 585,000 |

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

## 9. DEBT AND CAPITAL LEASE OBLIGATIONS

Debt and capital lease obligations – Hospital

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

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Payments/ Reductions | Ending Balance | Due Within One Year |
| General obligation bonds: | | | | | |
| 1999 County Hospital Refunding and Improvement Bond Series | $ 190,000 | $ - | $ (190,000) | $ - | $ - |
| Direct borrowings: | | | | | |
| Note payable, OAQDA | 1,648,521 | - | (119,236) | 1,529,285 | 122,872 |
| Note payable, OSUWMC | 2,130,549 | 119,578 | (909,577) | 1,340,550 | 534,209 |
| Total direct borrowings | 3,779,070 | 119,578 | (1,028,813) | 2,869,835 | 657,081 |
| Capital lease obligations | 1,371,606 | 107,047 | (471,172) | 1,007,481 | 446,629 |
| | 5,340,676 | 226,625 | (1,689,985) | 3,877,316 | 1,103,710 |
| Bond discount | (2,195) | - | 2,195 | - | - |
| Total debt | $ 5,338,481 | $ 226,625 | $ (1,687,790) | $ 3,877,316 | $ 1,103,710 |

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Payments/ Reductions | Ending Balance | Due Within One Year |
| General obligation bonds: | | | | | |
| 1999 County Hospital Refunding and Improvement Bond Series | $ 375,000 | $ - | $ (185,000) | $ 190,000 | $ 190,000 |
| Direct borrowings: | | | | | |
| Note payable, OAQDA | 1,764,227 | - | (115,706) | 1,648,521 | 119,236 |
| Note payable, OSUWMC | - | 2,130,549 | - | 2,130,549 | 921,118 |
| Total direct borrowings | 1,764,227 | 2,130,549 | (115,706) | 3,779,070 | 1,040,354 |
| Capital lease obligations | 1,668,465 | 255,336 | (552,195) | 1,371,606 | 459,764 |
| | 3,807,692 | 2,385,885 | (852,901) | 5,340,676 | 1,690,118 |
| Bond discount | (4,560) | - | 2,365 | (2,195) | (2,195) |
| Total debt | $ 3,803,132 | $ 2,385,885 | $ (850,536) | $ 5,338,481 | $ 1,687,923 |

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

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 were paid in full in December 2019.

During 2016, the Hospital signed two note payable agreements with the Ohio Air Quality Development Authority (OAQDA) totaling $1,918,748 utilizing the proceeds to make energy efficient capital improvements to the Hospital. The first note, which totaled $1,000,000, bears interest at 4.25%, with interest payments through December 1, 2030 due semi-annually. Annual principal payments begin December 1, 2024 with the final payment due December 1, 2030. The second note, which totaled $918,748, bears interest at 3.05% with annual principal and interest payments beginning December 1, 2016 through December 1, 2024. At December 31, 2019 and 2018, the balance outstanding under these note payable agreements was $1,529,285 and $1,648,521, respectively.

The OAQDA note payable of $1,918,748 from direct borrowings contain a provision that whenever an event of default occurs, the principal and interest outstanding is due and payable immediately.

During 2018, the Hospital signed a note payable agreement with The Ohio State University Wexner Medical Center (OSUWMC) totaling $2,130,549 utilizing the proceeds to implement a new electronic medical record system at the Hospital. The note includes imputed interest at 5.25% with monthly payments beginning in June 2017 through May 2022. At December 31, 2019 and 2018, the balance outstanding under this note payable agreement was $1,340,550 and $2,130,549, respectively. See Note 18 for further discussion.

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

The OSUWMC note payable of $2,130,549 from direct borrowings contain a provision that if the Hospital should terminate the agreement without breach by OSUWMC, the Hospital will have the obligation to reimburse OSUWMC for any costs advanced to the Hospital by OSUWMC, which has not been repaid, and all outstanding principle and interest.

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 dates through 2024.

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

| | 2019 | 2018 |
|---|---|---|
| Cost of equipment under capital lease | $ 2,353,667 | $ 2,523,494 |
| Accumulated amortization | (1,268,004) | (1,087,637) |
| | $ 1,085,663 | $ 1,435,857 |

Long-term debt and capital lease obligation payment requirements for fiscal years subsequent to December 31, 2019, are as follows:

| | Capital Lease Obligations | | | Notes from Direct Borrowings | | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2020 | $ 446,629 | $ 38,324 | $ 484,953 | $ 657,081 | $ 109,142 | $ 766,223 |
| 2021 | 287,156 | 20,287 | 307,443 | 689,559 | 76,047 | 765,606 |
| 2022 | 207,859 | 7,465 | 215,324 | 373,884 | 51,338 | 425,222 |
| 2023 | 55,945 | 1,868 | 57,813 | 134,461 | 46,712 | 181,173 |
| 2024 | 9,892 | 140 | 10,032 | 138,562 | 42,477 | 181,039 |
| Thereafter | - | - | - | 876,288 | 128,815 | 1,005,103 |
| | $ 1,007,481 | $ 68,084 | $ 1,075,565 | $ 2,869,835 | $ 454,531 | $ 3,324,366 |

Debt – Foundation

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

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Payments/ Reductions | Ending Balance | Due Within One Year |
| Commercial loan | $ 1,055,440 | $ - | $ (37,330) | $ 1,018,110 | $ 39,279 |
| Total debt | $ 1,055,440 | $ - | $ (37,330) | $ 1,018,110 | $ 39,279 |

During 2018, the Foundation signed a note payable agreement with Citizens Bank of Logan, now Merchants National Bank, totaling $1,080,000 utilizing the proceeds to purchase a new Medical Arts Building. The note bears interest at 3.77% with annual principal and interest payments beginning April 18, 2018 through April 18, 2038. Beginning on April 18, 2023, the interest rate is subject to change annually based on the weekly average yield of United States treasury securities. At December 31, 2019 and 2018, the balance outstanding under this note payable agreement was $1,018,110 and $1,055,440, respectively.

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

The Foundation is required to meet a minimum debt service coverage ratio. The Foundation was not in compliance with this covenant as of December 31, 2019. Management has obtained a waiver for this violation.

Long-term debt obligation payment requirements for fiscal years subsequent of December 31, 2019, are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 39,279 | $ 37,694 | $ 76,973 |
| 2021 | 40,786 | 36,188 | 76,974 |
| 2022 | 42,350 | 34,623 | 76,973 |
| 2023 | 43,974 | 32,999 | 76,973 |
| 2024 | 45,661 | 31,312 | 76,973 |
| Thereafter | 806,060 | 220,627 | 1,026,687 |
| | $ 1,018,110 | $ 393,443 | $ 1,411,553 |

**10. PATIENT ACCOUNTS RECEIVABLE**

The details of patient accounts receivable are set forth below:

| | 2019 | 2018 |
|---|---|---|
| Gross patient accounts receivable Less allowance for: | $ 12,564,778 | $ 13,304,023 |
| Uncollectible accounts | (1,638,419) | (1,614,368) |
| Contractual adjustments | (5,999,821) | (6,108,851) |
| Net patient accounts receivable | $ 4,926,538 | $ 5,580,804 |

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Accounts Receivable | Gross Revenue | Accounts Receivable | Gross Revenue |
| Medicare | 35% | 50% | 32% | 48% |
| Medicaid | 16% | 24% | 16% | 25% |
| Commercial | 31% | 23% | 21% | 24% |
| Self-pay | 18% | 3% | 31% | 3% |
| | 100% | 100% | 100% | 100% |

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

## 11. 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:

a. 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.

b. 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.

c. 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.

d. 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 2019, approximately 50% of the Hospital's total gross patient revenue was derived from Medicare patients while 24% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance payments.

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

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

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 $110,118 and $425,782 due from third party payors as of December 31, 2019 and 2018, respectively. 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 an unfavorable adjustment of $116,674 and a favorable adjustment of $686,169 in net patient service revenue on the statements of revenue, expenses and changes in net position in 2019 and 2018, respectively.

**12. NET PATIENT SERVICE REVENUES**

Net patient service revenue consists of the following:

| | 2019 | 2018 |
|---|---|---|
| Revenue: | | |
| Inpatient | $ 17,403,934 | $ 17,448,967 |
| Outpatient | 76,662,831 | 68,783,333 |
| Total patient revenue | 94,066,765 | 86,232,300 |
| Revenue deductions: | | |
| Contractual allowances | 53,780,781 | 49,772,526 |
| Provision for bad debts | 3,515,096 | 2,644,769 |
| Charity care | 2,049,967 | 734,662 |
| Total deductions | 59,345,844 | 53,151,957 |
| Total net patient service revenue | $ 34,720,921 | $ 33,080,343 |

**13. 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.

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

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. The policy also requires that certain members of the medical staff carry professional liability coverage of no less than $1,000,000 per occurrence and $3,000,000 in the annual aggregate. The Hospital's coverage is on a claims made basis. Settled claims for medical malpractice have not exceeded insurance coverage in any of the past five years. Losses from asserted and unasserted claims identified under the Hospital's incident reporting systems are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. There is no liability for medical malpractice at December 31, 2019 and 2018.

Employee Health Insurance

The Hospital provides health insurance to participating employees under a plan that is partially self-insured. The plan is covered by a stop-loss policy that covers specific items over $500,000. An estimate of incurred but unpaid claims has been determined as of December 31, 2019 and 2018 based on historical experience. The liability for estimated self-insured employee health claims includes estimates of the ultimate costs for both reported claims and incurred but not reported claims. Activity and balances as of and for the years ended December 31, 2019 and 2018 are as follows:

| | Beginning Liability | Claims Incurred | Claims Paid | Ending Liability |
|---|---|---|---|---|
| 2018 | $ 327,456 | $ 3,485,462 | $ 3,233,057 | $ 579,861 |
| 2019 | $ 579,861 | $ 3,059,189 | $ 2,872,776 | $ 766,274 |

## 14. BOARD DESIGNATED INVESTMENTS, ENDOWMENTS AND RESTRICTED NET POSITION

Board Designated Investments

Board designated investments of $290,000 as of December 31, 2019 and 2018 are designated for future capital improvements at the Hospital.

Donor-Restricted – Expendable for Various Purposes

The Foundation has funds, which have been donated for specific purposes. The funds must be used for the donor specified purpose. Donor-restricted assets that are expendable for various purposes were approximately $37,000 and $137,000 as of December 31, 2019 and 2018, respectively.

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

Donor-Restricted – Nonexpendable Endowments

The Foundation maintains several permanent funds with donor-restricted endowments that totaled approximately $179,000 and $139,000 at December 31, 2019 and 2018, respectively. It is the Foundation's policy to transfer from the endowment funds to available funds an amount not to exceed 75% of the total return earned by the endowment. In this way, a portion of the total return will be added back to the principal of the fund to provide growth of the fund. The transfer of available funds shall also be limited in such a manner as to not decrease the designated principal of the fund. Available funds earned that are required to maintain the principal will not be transferred.

**15. RETIREMENT PLANS**

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 No. 75. 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, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Retirement Plans

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

The collective net pension asset and liability of the retirement systems (GASB 68) and the Hospital's proportionate share of the net pension asset and liability as of December 31 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Net pension liability - all employers | $ 27,387,972,593 | $ 15,688,061,327 |
| Proportion of the net pension liability - Hospital | 0.08702% | 0.09125% |
| | $ 23,832,739 | $ 14,315,199 |

| | 2019 | 2018 |
|---|---|---|
| Net pension asset - all employers | $ 114,100,958 | $ 139,622,518 |
| Proportion of the net pension asset - Hospital | 0.04918% | 0.07782% |
| | $ 56,116 | $ 108,650 |

Pension expense, relating to GASB 68, for the years ending December 31, 2019 and 2018 was $3,322,145 and $1,234,031, respectively.

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

| | 2019 | 2018 |
|---|---|---|
| Net OPEB liability - all employees | $ 13,037,639,421 | $ 10,859,263,395 |
| Proportion of the net OPEB liability - Hospital | 0.084112% | 0.089320% |
| | $ 10,966,220 | $ 9,699,494 |

Other postemployment benefits expense, relating to GASB 75, for the years ended December 31, 2019 and 2018 was $803,061 and $822,682, respectively.

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

At December 31, 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | | |
|---|---|---|
| **Deferred outflows of resources:** | | |
| Difference between expected and actual experience | $ | 3,118 |
| Net difference between projected and actual earnings on pension plan | | 3,246,967 |
| Assumption changes | | 2,087,313 |
| Change in proportionate share | | 27,877 |
| Difference between Hospital contributions and proportionate share of contributions | | 14,576 |
| Employer contributions subsequent to the measurement date | | 1,730,464 |
| Total | $ | 7,110,315 |
| **Deferred inflows of resources:** | | |
| Difference between expected and actual experience | $ | 335,473 |
| Change in proportionate share | | 512,729 |
| Difference between Hospital contributions and proportionate share of contributions | | 4,918 |
| Total | $ | 853,120 |

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

| | | |
|---|---|---|
| **Deferred outflows of resources:** | | |
| Difference between expected and actual experience | $ | 17,970 |
| Assumption changes | | 1,720,311 |
| Change in proportionate share | | 5,441 |
| Difference between Hospital contributions and proportionate share of contributions | | 60,180 |
| Employer contributions subsequent to the measurement date | | 1,708,023 |
| Total | $ | 3,511,925 |
| **Deferred inflows of resources:** | | |
| Difference between expected and actual experience | $ | 313,962 |
| Net difference between projected and actual earnings on pension plan assets | | 3,090,640 |
| Change in proportionate share | | 94,822 |
| Difference between Hospital contributions and proportionate share of contributions | | 3,235 |
| Total | $ | 3,502,659 |

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

At December 31, 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

| | | |
|---|---|---|
| **Deferred outflows of resources:** | | |
| Difference between expected and actual experience | $ | 3,713 |
| Net difference between projected and actual earnings on OPEB plan assets | | 502,737 |
| Assumption changes | | 353,564 |
| Employer contributions subsequent to the measurement date | | 6,247 |
| Total | $ | 866,261 |

| | | |
|---|---|---|
| **Deferred inflows of resources:** | | |
| Difference between expected and actual experience | $ | 29,755 |
| Change in proportionate share | | 379,273 |
| Difference between Hospital contributions and proportionate share of contributions | | 11,871 |
| Total | $ | 420,899 |

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

| | | |
|---|---|---|
| **Deferred outflows of resources:** | | |
| Difference between expected and actual experience | $ | 7,556 |
| Assumption changes | | 706,226 |
| Total | $ | 713,782 |
| **Deferred inflows of resources:** | | |
| Difference between expected and actual experience | $ | 722,548 |
| Difference between Hospital contributions and proportionate share of contributions | | 9,537 |
| Total | $ | 732,085 |

***NOTE 23 – COMPONENT UNIT DISCLOSURES – HOCKING VALLEY COMMUNITY HOSPITAL - (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:

| | |
|---|---|
| 2020 | $ (1,875,291) |
| 2021 | (818,058) |
| 2022 | (304,613) |
| 2023 | (1,512,774) |
| 2024 | (3,292) |
| 2025 and thereafter | (12,703) |
| Total | $ (4,526,731) |

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

| | | |
|---|---|---|
| 2020 | $ | (198,314) |
| 2021 | | 89,470 |
| 2022 | | (77,008) |
| 2023 | | (253,263) |
| Total | $ | (439,115) |

Statutory Authority

Ohio Revised Code (ORC) Chapter 145

Benefit Formula

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

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

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

Contribution Rates

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

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

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

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

Cost-of-Living Adjustments

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

Measurement Date

December 31, 2018 (OPEB is rolled forward from December 31, 2017 actuarial valuation date).

Actuarial Assumptions

Valuation Date: December 31, 2018 for pension and December 31, 2017 for OPEB Rolled Forward Measurement Date: December 31, 2018 for OPEB

Actuarial Cost Method: Individual entry age

Investment Rate of Return: 7.20% for pension and 3.96% for OPEB Inflation: 3.25%

Projected Salary Increases: 3.25% - 10.75%

Cost-of-Living Adjustments: 3.00% Simple – for those retiring after January 7, 2013, 3.00% Simple through 2018, then 2.15% Simple.

Health Care Cost Trends: 10.0% initial, 3.25% ultimate in 2029

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

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

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 defined benefit pension assets for 2018 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Long Term Expected Return * |
|---|---|---|
| Fixed Income | 23% | 2.8% |
| Domestic Equity | 19% | 6.2% |
| Real Estate | 10% | 4.9% |
| Private Equity | 10% | 10.8% |
| International Equity | 20% | 7.8% |
| Other Investments | 18% | 5.5% |
| Total | 100% | |

* Returns presented as arithmetic means

The following table displays the OPERS Board-approved asset allocation policy for health care assets for 2018 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Long Term Expected Return * |
|---|---|---|
| Fixed Income | 34% | 2.4% |
| Domestic Equity | 21% | 6.2% |
| Real Estate | 6% | 6.0% |
| International Equity | 22% | 7.8% |
| Other Investments | 17% | 5.6% |
| Total | 100% | |

* Returns presented as arithmetic means

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

Discount Rate

Pension: The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB: A discount rate of 3.96% was used to measure the total OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contribution for use with the long-term expected rate were not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projected cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contributions rate. Based on those assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Health Care Cost Trend Rate

A health care cost trend rate of 10.0% was used to measure the total OPEB liability on the measurement date of December 31, 2018. Retiree health care valuations use a health care cost- trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 10.0%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near wage inflation (3.25%).

Sensitivity of Net Pension Liability to Changes in Discount Rate

| 1% Decrease (6.20%) | Current Rate (7.20%) | 1% Increase (8.20%) |
|---|---|---|
| $ 35,207,887 | $ 23,832,739 | $ 14,379,890 |

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

Sensitivity of Net Pension Asset to Changes in Discount Rate

| 1% Decrease (6.20%) | Current Rate (7.20%) | 1% Increase (8.20%) |
|---|---|---|
| $ 18,669 | $ 56,116 | $ 83,559 |

Sensitivity of Net OPEB Liability to Changes in Discount Rate

| 1% Decrease (2.96%) | Current Rate (3.96%) | 1% Increase (4.96%) |
|---|---|---|
| $ 14,029,882 | $ 10,966,220 | $ 8,529,798 |

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

| 1% Decrease (9.00%) | Current Rate (10.00%) | 1% Increase (11.00%) |
|---|---|---|
| $ 10,540,916 | $ 10,966,220 | $ 11,456,054 |

The amount of contributions recognized by the Hospital relating to the pensions for the years ending December 31, 2019 and 2018 were approximately $1,730,464 and $1,708,023, respectively.

The amount of contributions recognized by the Hospital relating to the OPEB plan for the years ending December 31, 2019 and 2018 were approximately $6,247 and $0, respectively.

**16. RELATED PARTIES**

Hocking Valley Community Hospital Memorial Fund, Inc.

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

The Hospital entered into a 10-year non-cancelable lease with the Foundation for the Medical Arts Building that was set to expire 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.

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

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 years ended December 31, 2019 and 2018, the Hospital disbursed funds totaling $2,880,000 and $3,415,000 on behalf of the Foundation to fund operating deficits, respectively. These amounts were paid to the Foundation who, acting as fiscal agent, remitted the funds to HVMG. As of December 31, 2019 and 2018, the Hospital has a receivable from HVMG of $215,509 and $79,345, respectively. These receivables are included in prepaid expenses and other assets on the Statements of Net Position.

During the year ended December 31, 2018, the Foundation entered into a rental agreement with HVMG; refer to Note 17 for more information.

Hocking Valley Health Services

Hocking Valley Health Services (HVHS) is a not-for-profit membership corporation located in Logan, Ohio. The purpose of HVHS is to provide healthcare and physician services and to own, lease, operate and/or provide healthcare facilities for the promotion of health in the area served by the Hospital. Additionally, HVHS is to conduct strategic healthcare planning and otherwise operate exclusively for the benefit and support of the Board of Trustees of the Hospital. The Board of Trustees of HVHS is elected by HVHS' members. The Board of Trustees of the Hospital controls 50% of the voting rights of the HVHS Board. HVHS has not entered into any financial activities as of or for the years ended December 31, 2019 and 2018. Therefore, the Hospital's financial statements exclude the activities of HVHS.

**17. RENTAL AGREEMENTS**

In May 2018, the Foundation entered into an agreement with Hocking Valley Medical Group, Inc. and Jeffrey A. Blankenbeckler, D.D.S., LTD to rent property to be used as office space from May 2018 to April 2021. During 2019 and 2018, $96,000 and $51,297, respectively, was recognized as rental income. A schedule of the remaining minimum rental payments is below:

| Year ended December 31, | | |
|---|---|---|
| 2020 | $ | 96,000 |
| 2021 | | 32,000 |
| | $ | 128,000 |

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

The related cost and accumulated depreciation for the leased asset as of December 31, 2019 and 2018 is as follows:

| | 2019 | 2018 |
|---|---|---|
| Land | $ 792,454 | $ 792,454 |
| Building | 916,499 | 916,499 |
| Less: Accumulated Depreciation | 34,356 | 11,444 |
| | $ 1,674,597 | $ 1,697,509 |

### 18. SOFTWARE LICENSING AGREEMENT

In December 2016, the Hospital entered into an agreement with OSUWMC to transition from the current Electronic Medical Record System to the Epic platform.

This agreement provided for the use of the system for a period of ten years. The initial implementation cost of $2,959,273, payable to OSUWMC, are to be paid in equal monthly installments over sixty months beginning in June 2017. In March 2018, when the system went live, the remaining balance of $2,130,549 was converted to a note payable due in May 2022. See Note 9 for additional information. The implementation costs are considered an intangible asset and are included in capital assets on the statements of net position. The implementation costs are being amortized on a straight-line basis over the ten year term of the agreement.

Beginning in March 2018, the Hospital began making monthly maintenance expense payments of $62,138 for a period of ten years. The monthly maintenance expense is subject to adjustment annually based on volumes and other factors. Management does not anticipate substantial adjustments to the maintenance expense over the remaining term of the contract.

### 19. SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Hospital and Foundation. The Foundation's investment portfolio and the investments of the pension and other employee benefit plan in which the Hospital participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Hospital and Foundation future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

Subsequent to the statement of net position date, the Hospital received a low interest loan in the amount of $3,659,562 under the Paycheck Protection Program (PPP) administered by the Small Business Administration. The PPP loan is unsecured, bears interest at 1% and funds advanced under the program are subject to forgiveness, if certain criteria is met with the remaining balance repayable within two years of disbursement. The PPP loan may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period (the 8-week period beginning on loan origination). In addition, employers must maintain specified employment and wage levels during the pandemic, and submit adequate documentation of such expenditures to qualify for loan forgiveness.

**20. GOING CONCERN ISSUES ARISING FROM RECURRING LOSSES AND MANAGEMENT'S PLANS**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of the Hospital as a going concern. The Hospital had an operating loss of $3,164,322 and $2,283,661 for 2019 and 2018, respectively. The Hospital also had a total decrease in net position of $5,596,718 and $5,941,573 for 2019 and 2018 respectively. $4,125,206 and $2,056,713 of the decrease in net position related to GASB 68 and GASB 75 in 2019 and 2018, respectively. The Hospital's current liabilities exceed their current assets at December 31, 2019. These factors could be indicative of the Hospital's inability to continue as a going concern.

The Hospital also identified opportunities to increase reimbursement and net revenue by approximately $4,000,000. This expected increase is attributable to the following factors:

a. Continued utilization of additional swingbed capacity. In June 2019 the Hospital increased this capacity by seven beds.

b. An increase in provider coverage for the pain management clinic.

c. Additional utilization of 340b contract pharmacy benefits.

d. A change in in the psychiatric clinic to a hospital based clinic. This is expected in increase reimbursement for this clinic.

e. A change in the majority of the HVMG practices to a rural health clinic and a change in the HVMG orthopedic and general surgery practices to hospital based clinics. These changes are expected to increase reimbursement for HVMG and in turn reduce payments from the Hospital to HVMG.

f. Based on the Ohio Hospital Association's expected funding of the upper payment limit program management is anticipating an increase in receipts from that program of approximately $1,200,000.

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

Due to the impact of COVID-19, and the Governor's mandate to cease all non-essential procedures, the above projections have experienced short term reductions in volume, affecting the projections for 2020. Currently, there is less than one month of data to use to determine long term affects. Non-emergent cases can resume May 1, 2020, however, it is difficult to determine how long it will take to build procedures back up to capacity. The Hospital has worked to secure funding fromall available avenues to offset the losses due to the COVID-19 pandemic including:

g. Securing a $3,659,562 PPP Loan, see Note 19, and management is working to accurately account for all related forgivable expenses to maximize loan forgiveness under this program.
h. Receiving approximately $5,400,000 million in Medicare Advanced Payments to use as internal line of credit to regulate cash flow.
i. The Hospital will receive a Bureau of Worker's Compensation rebate for approximately $54,000.
j. The Hospital was awarded a Critical Access Hospital grant in the amount of$87,000.
k. To date, the Hospital has received healthcare funding $662,000 from the $100 billion Coronavirus Aid, Relief, and Economic Security Act passed by the United States Congress on March 27, 2020. Although, there is still additional funding to be released and an additional $75 billion was passed on April 23, 2020, there has been no information on how this money will be distributed to hospitals and how much in additional funding, if any, the Hospital will receive.
l. Thanks to the Hospital's electronic health record, Epic, the Hospital has had a smooth transition to telemedicine visits for their outpatient provider clinics. The Hospital was able to provide telehealth visits for their patients the same week the stay at home order was issued.
m. The Hospital temporarily doubled bed capacity in conjunction with the 1135 waiver issued by CMS, which lifted the Critical Access Hospital bed limit from 25 during the national emergency. This will allow the Hospital to not only surge patient volumes if the community need arises, but can will provide support to neighboring communities as well.

Although this is a time of uncertainty around the world, the Hospital continues to adapt to the environment through identifying cost saving measures and providing services that meet the needs of the community. The Hospital has carefully planned cash flow through the end of 2020 to ensure they can continue moving forward with their mission of providing care close to home now and into the future, a mission that has become more important now, than ever.

Because it is not possible at this time to predict the success of the Hospital's future plans and there is no assurance that these plans will be realized, substantial doubt remains regarding the Hospital's ability to continue as a going concern. The Hospital's continued existence is dependent on its ability to achieve profitable operations, positive cash flows, and to maintain adequate financing.

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

## 21. 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. 84**, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governmental entities. The focus of the criteria generally is on (1) whether a government entity is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. As a result, pension and other postemployment benefit plans (both defined contribution plans and defined benefit plans) should now be reported within the statement of fiduciary net position and statement of changes in fiduciary net position of the governmental entity. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 84, *Fiduciary Activities*, by one year. GASB Statement No. 84 will be effective for periods beginning after December 15, 2019.

**GASB Statement No. 87**, *Leases*, which requires the 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. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 87, *Leases*, by 18 months. GASB Statement No. 87 will be effective for periods beginning after June 15, 2021.

**GASB Statement No. 89**, *Accounting for Interest Cost Incurred before the End of a Construction Period*, , which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 89, *Accounting for Interest Cost* Incurred before the End of a Construction Period, by one year. GASB Statement No. 89 will be effectivefor periods beginning after December 15, 2020.

***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 | $131,758 |
| Motor Vehicle Gas Tax | $ 90,349 |
| Board of Developmental Disabilities | $ 89,870 |
| Emergency Medical Services | $124,081 |
| Hocking County 911 | $161,118 |

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 (1) |
|---|---|---|---|---|---|---|
| County's proportion of the net pension liability | 0.076254% | 0.074493% | 0.074077% | 0.074457% | 0.072659% | 0.072659% |
| County's proportionate share of the net pension liability | $ 20,884,424 | $ 11,686,507 | $ 16,817,800 | $ 12,896,891 | $ 8,763,488 | $ 8,565,549 |
| County's covered payroll | $ 10,553,486 | $ 9,320,708 | $ 10,004,975 | $ 9,626,767 | $ 8,926,300 | $ 9,641,546 |
| County's proportionate share of the net pension liability as a percentage of its covered payroll | 197.89% | 125.38% | 168.09% | 133.97% | 98.18% | 88.84% |
| Plan fiduciary net position as a percentage of the total pension liability | 84.66% | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |

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

**Hocking County**

*Required Supplementary Information*

*Schedule of the County's Pension Contributions*

*Ohio Public Employees Retirement System*

*Last Ten Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 1,596,862 | $ 1,477,488 | $ 1,211,692 | $ 1,200,597 | $ 1,155,212 | $ 1,071,156 | $ 1,253,401 | $ 1,442,139 | $ 1,496,126 | $ 1,437,885 |
| Contributions in relation to the contractually required contribution | (1,596,862) | (1,477,488) | (1,211,692) | (1,200,597) | (1,155,212) | (1,071,156) | (1,253,401) | (1,442,139) | (1,496,126) | (1,437,885) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| County's covered payroll | $ 11,406,157 | $ 10,553,486 | $ 9,320,708 | $ 10,004,975 | $ 9,626,767 | $ 8,926,300 | $ 9,641,546 | $ 14,421,390 | $ 14,961,260 | $ 15,976,500 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 13.00% | 12.00% | 12.00% | 12.00% | 13.00% | 10.00% | 10.00% | 9.00% |

**Changes to Benefit Terms:** There were no changes in benefit terms affecting the OPERS plan for the plan year ended December 31, 2018.

**Changes of Assumptions (OPERS):** During the plan year ended December 31, 2018, there were changes to assumptions for OPERS.
The investment rate of return decreased from 7.20% to 7.50%.

***Hocking County***

*Required Supplementary Information*

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

*Ohio Public Employees Retirement System*

*Last Three Years (1)*

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| County's proportion of the net OPEB liability | 0.07290800% | 0.07157000% | 0.07211000% |
| County's proportionate share of the net OPEB liability | $ 9,505,482 | $ 7,771,975 | $ 7,283,355 |
| County's covered payroll | $ 10,553,486 | $ 9,320,708 | $ 10,004,975 |
| County's proportionate share of the net OPEB liability as a percentage of its covered payroll | 90.07% | 83.38% | 72.80% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 54.14% | 54.14% | 54.05% |

(1) Information prior to 2017 is not available.

**Hocking County**

*Required Supplementary Information*

*Schedule of the County's OPEB Contributions*

*Ohio Public Employees Retirement System*

*Last Four Years (1)*

| | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Contractually required contribution | $ - | $ - | $ 99,968 | $ 193,326 |
| Contributions in relation to the contractually required contribution | - | - | (99,968) | (193,326) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| County covered-employee payroll | $ 11,406,157 | $ 10,553,486 | $ 9,320,708 | $ 10,004,975 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 1.00% | 2.00% |

(1) Information prior to 2016 is not available.

**Notes to Required Supplementary Information - OPEB**

**Changes to Benefit Terms:** There were no changes in benefit terms affecting the OPERS plan for the plan year ended December 31, 2018.

**Changes of Assumptions (OPF):** The single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00% , the municipal bond rate changed from 3.31% to 3.71% and the health care cost trend rate changed from 7.5% initial to 10.0% initial.