

Hocking Conservancy District

Athens County, Ohio

Regular Audit

January 1, 2003 through December 31, 2004

Years Audited Under GAGAS: 2004 and 2003

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

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**Auditor of State  
Betty Montgomery**

Board of Directors  
Hocking Conservancy District  
560 West Union St.  
Athens, OH 45701

We have reviewed the *Independent Auditor's Report* of the Hocking Conservancy District, Athens County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

February 1, 2006

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**Hocking Conservancy District**  
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*For the Years Ended December 31, 2004 and 2003*

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## Independent Auditor's Report

Board of Directors  
Hocking Conservancy District  
560 West Union Street  
Athens, Ohio 45701

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hocking Conservancy District, Athens County, Ohio, (the District) as of and for the years ended December 31, 2004 and 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of December 31, 2004 and 2003, and the respective changes in cash basis financial position and the respective budgetary position of the General Fund as of December 31, 2004 and General, Improvement Fund, and Contingency Reserve Fund thereof for the year ended December 31, 2003 in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hocking Conservancy District  
Independent Auditor's Report  
Page 2

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Balestra, Harr & Scherer, CPAs, Inc.  
July 29, 2005



**Hocking Conservancy District**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2004 and 2003*  
*Unaudited*

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This discussion and analysis of Hocking Conservancy District (the District's) financial performance provides an overall review of the District's financial activities for the years ended December 31, 2004 and 2003, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Highlights**

Key highlights for 2004 and 2003 are as follows:

Net assets of governmental activities decreased \$244,930, or 4.66 percent, in 2004. Net assets of governmental activities decreased \$97,826, or 1.82 percent in 2003. The fund most affected by the increase in cash and cash equivalents in 2004 was the General Fund, which realized the greatest decrease of revenue in 2004. The fund most affected by the decrease in 2003 was the Improvement Fund, which realized the greatest burden of expenditures in 2003.

The District's general receipts are primarily property tax assessments and interest. These receipts represent respectively 71.97 and 22.61 percent of percent of the total cash received for governmental activities during 2004 and 40.42 and 48.42 percent of the total cash received for governmental activities during 2003. Property tax assessment receipts for 2004 and 2003 changed little as development within the District has slowed.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Hocking Conservancy District**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2004 and 2003*  
*Unaudited*

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**Reporting the District as a Whole**

The statement of net assets and the statement of activities reflect how the District did financially during 2004 and 2003, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at years end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. The District did not have any program receipts during the audit periods ending December 31, 2004 and December 31, 2003. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other non-financial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property tax assessments.

In the statement of net assets and the statement of activities, we divide the District into one type of activity:

Governmental Activities. All of the District's basic services are reported here. Property tax assessments and interest finance most of these activities.

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

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are all governmental funds.

Governmental Funds - Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. For 2004, the District's major governmental fund is the General Fund. For 2003, the District's major governmental funds are the General Fund, Improvement Fund, and Contingency Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Hocking Conservancy District**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2004 and 2003  
Unaudited

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**The District as a Whole**

Table 1 provides a summary of the District's net assets for 2004 compared to 2003 on a modified cash basis:

(Table 1)

**Net Assets**

	Governmental Activities	
	2004	2003
<b>Assets</b>		
Cash and Investments	\$5,021,803	\$5,266,733
Total Assets	\$5,021,803	\$5,266,733
 <b>Net Assets</b>		
Unrestricted	5,021,803	5,266,733
Total Net Assets	\$5,021,803	\$5,266,733

As mentioned previously, net assets of governmental activities decreased \$244,930 or 4.65 percent during 2004. The primary reasons contributing to the decreases in cash balances are as follows:

- General fund receipts decreased from 2003 to 2004 primarily through decreased interest receipts.

Table 2 reflects the changes in net assets in 2004. Since the District did not prepare financial statements in this format for 2002, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Hocking Conservancy District**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2004 and 2003  
Unaudited

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(Table 2)  
**Change in Net Assets**

	Governmental Activities 2004	Governmental Activities 2003
Receipts:		
General Receipts:		
Property Tax Assessments	\$168,774	\$169,653
Rents and Leases	2,244	2,244
Interest	63,952	273,271
Miscellaneous	10,116	10,116
Total General Receipts	245,086	488,517
Total Receipts	245,086	488,517
Disbursements:		
Operations	362,998	288,863
Administration	108,156	276,992
Legal Fees	4,820	3,935
Directors	12,409	12,540
Benefits	1,263	3,643
Other Disbursements	370	370
Total Disbursements	490,016	586,343
Decrease in Net Assets	(244,930)	(97,826)
Net Assets, January 1	5,266,733	5,364,559
Net Assets, December 31	\$5,021,803	\$5,266,733

General receipts represent 100 percent of the District's total receipts for 2004 and 100 percent of the District's total receipts for 2003, and of this amount, 68.87 percent are property tax assessments in 2004 and 34.73 percent are property tax assessments in 2003. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the District and the support services provided for the other District activities. These include the costs of operations, administrative, legal and directors.

**Governmental Activities**

If you look at the Statement of Activities on pages 10 and 11, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and public works, which account for 30.2 and 37.2 percent of all governmental disbursements, respectively. The next column of the Statement entitled Program Cash Receipts identifies amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Hocking Conservancy District**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2004 and 2003*  
*Unaudited*

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(Table 3)  
 Governmental Activities

	Total Cost Of Services 2004	Total Cost Of Services 2003	Net Cost Of Services 2004	Net Cost Of Services 2003
Operations	\$362,998	\$288,863	(\$362,998)	(\$288,863)
Administration	108,156	276,992	(108,156)	(276,992)
Legal Fees	4,820	3,935	(4,820)	(3,935)
Directors	12,409	12,540	(12,409)	(12,540)
Benefits	1,263	3,643	(1,263)	(3,643)
Other	370	370	(370)	(370)
Total Disbursements	<u>\$490,016</u>	<u>\$586,343</u>	<u>(\$490,016)</u>	<u>(\$586,343)</u>

**The District's Funds**

Total governmental funds had receipts of \$245,079 and disbursements of \$488,753 in 2004 and receipts of \$488,505 and disbursements of \$582,700 in 2003. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$242,553 as the result of decreased interest receipts.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Terry Courtney, Secretary-Treasurer, Hocking Conservancy District, 560 West Union Street, Athens, Ohio 45701-2331.

**Hocking Conservancy District**  
*Statement of Net Assets - Cash Basis*  
*For the Year Ended December 31, 2004*

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	<u>Governmental Activities</u>
Assets	
Cash and Investments	<u>\$ 5,021,803</u>
Total Assets	<u><u>5,021,803</u></u>
Net Assets	
Unrestricted	<u>5,021,803</u>
Total Net Assets	<u><u>\$ 5,021,803</u></u>

See accompanying notes to the basic financial statements.

**Hocking Conservancy District**  
*Statement of Net Assets - Cash Basis*  
*For the Year Ended December 31, 2003*

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	<u>Governmental Activities</u>
Assets	
Cash and Investments	<u>\$ 5,266,733</u>
Total Assets	<u><u>5,266,733</u></u>
Net Assets	
Unrestricted	<u>5,266,733</u>
Total Net Assets	<u><u>\$ 5,266,733</u></u>

See accompanying notes to the basic financial statements.

**Hocking Conservancy District**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2004*

	Cash Disbursements	Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Governmental Activities
Governmental Activities		
Operations	\$ 362,998	\$ (362,998)
Administration	108,156	(108,156)
Legal Fees	4,820	(4,820)
Directors	12,409	(12,409)
Benefits	1,263	(1,263)
Other Disbursements	370	(370)
Total Governmental Activities	\$ 490,016	(490,016)
General Receipts		
Property Tax Assessments		168,774
Rents and Leases		2,244
Interest		63,952
Miscellaneous		10,116
Total General Receipts		245,086
Change in Net Assets		(244,930)
Net Assets Beginning of Year		5,266,733
Net Assets End of Year		\$ 5,021,803

See accompanying notes to the basic financial statements



**Hocking Conservancy District**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2003*

	Cash Disbursements	Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Governmental Activities
Governmental Activities		
Operations	\$ 288,863	\$ (288,863)
Administration	276,992	(276,992)
Legal Fees	3,935	(3,935)
Directors	12,540	(12,540)
Benefits	3,643	(3,643)
Other Disbursements	370	(370)
Total Governmental Activities	\$ 586,343	(586,343)
General Receipts		
Property Tax Assessments		169,653
Rents and Leases		2,244
Interest		273,271
Miscellaneous		43,349
Total General Receipts		488,517
Change in Net Assets		(97,826)
Net Assets Beginning of Year		5,364,559
Net Assets End of Year		\$ 5,266,733

See accompanying notes to the basic financial statements

**Hocking Conservancy District**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2004*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and Investments	\$ 2,955,305	\$ 2,063,863	\$ 5,019,168
Total Assets	2,955,305	2,063,863	5,019,168
<b>Fund Balances</b>			
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	2,955,305	-	2,955,305
Special Revenue Funds	-	2,063,863	2,063,863
Total Fund Balances	<u>\$ 2,955,305</u>	<u>\$ 2,063,863</u>	<u>\$ 5,019,168</u>

See accompanying notes to the basic financial statements

**Hocking Conservancy District**  
*Statement of Net Assets - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2004*

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	<u>Proprietary</u> <u>Internal Service</u> <u>Funds</u>
Assets	
Cash and Investments	<u>\$ 2,635</u>
Total Assets	2,635
Net Assets	
Unrestricted:	
Reported in:	
Internal Service Funds	<u>2,635</u>
Total Net Assets	<u><u>\$ 2,635</u></u>

See accompanying notes to the basic financial statements

**Hocking Conservancy District**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2003*

	<u>General</u>	<u>Improvement</u>	<u>Contingency Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Investments	\$ 3,197,858	\$ 602,563	\$ 800,763	\$ 663,448	\$ 5,264,632
Total Assets	3,197,858	602,563	800,763	663,448	5,264,632
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	3,197,858	-	-	-	3,197,858
Special Revenue Funds	<u>-</u>	<u>602,563</u>	<u>800,763</u>	<u>663,448</u>	<u>2,066,774</u>
Total Fund Balances	<u>\$ 3,197,858</u>	<u>\$ 602,563</u>	<u>\$ 800,763</u>	<u>\$ 663,448</u>	<u>\$ 5,264,632</u>

See accompanying notes to the basic financial statements

**Hocking Conservancy District**  
*Statement of Net Assets - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2003*

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	<u>Proprietary</u> <u>Internal Service</u> <u>Funds</u>
Assets	
Cash and Investments	<u>\$ 2,101</u>
Total Assets	2,101
Net Assets	
Unrestricted:	
Reported in:	
Internal Service Funds	<u>2,101</u>
Total Net Assets	<u><u>\$ 2,101</u></u>

See accompanying notes to the basic financial statements

**Hocking Conservancy District**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2004*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property Tax Assessments	\$ 164,192	\$ 4,582	\$ 168,774
Rents and Leases	2,244	-	2,244
Interest	51,576	12,369	63,945
Miscellaneous	10,116	-	10,116
<i>Total Receipts</i>	<u>228,128</u>	<u>16,951</u>	<u>245,079</u>
<b>Disbursements</b>			
Operations	351,368	11,630	362,998
Administration	101,184	6,972	108,156
Legal Fees	4,820	-	4,820
Directors	11,149	1,260	12,409
Other Disbursements	370	-	370
<i>Total Disbursements</i>	<u>468,891</u>	<u>19,862</u>	<u>488,753</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(240,763)</u>	<u>(2,911)</u>	<u>(243,674)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	-	-	-
Transfers Out	(1,790)	-	(1,790)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,790)</u>	<u>-</u>	<u>(1,790)</u>
<i>Net Change in Fund Balances</i>	(242,553)	(2,911)	(245,464)
<i>Fund Balances Beginning of Year</i>	<u>3,197,858</u>	<u>2,066,774</u>	<u>5,264,632</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,955,305</u>	<u>\$ 2,063,863</u>	<u>\$ 5,019,168</u>

See accompanying notes to the basic financial statements

**Hocking Conservancy District**  
*Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2004*

	Proprietary Internal Service Funds
<b>Receipts</b>	
Interest	\$ 7
<i>Total Receipts</i>	<i>7</i>
<b>Disbursements</b>	
Benefits	1,263
<i>Total Disbursements</i>	<i>1,263</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(1,256)</i>
<b>Other Financing Sources (Uses)</b>	
Transfers In	1,790
Transfers Out	-
<i>Total Other Financing Sources (Uses)</i>	<i>1,790</i>
<i>Change in Net Assets</i>	534
<i>Net Assets Beginning of Year</i>	<i>2,101</i>
<i>Net Assets End of Year</i>	<i>\$ 2,635</i>

See accompanying notes to the basic financial statements

**Hocking Conservancy District**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2003*

	General	Improvement	Contingency Reserve	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property Tax Assessments	\$ 165,105	\$ -	\$ -	\$ 4,548	\$ 169,653
Rents and Leases	2,244	-	-	-	2,244
Interest	197,811	32,216	14,826	28,406	273,259
Miscellaneous	43,349	-	-	-	43,349
<i>Total Receipts</i>	<u>408,509</u>	<u>32,216</u>	<u>14,826</u>	<u>32,954</u>	<u>488,505</u>
<b>Disbursements</b>					
Operations	276,459	-	-	12,404	288,863
Administration	97,091	113,573	65,829	499	276,992
Legal Fees	3,935	-	-	-	3,935
Directors	11,280	-	-	1,260	12,540
Other Disbursements	370	-	-	-	370
<i>Total Disbursements</i>	<u>389,135</u>	<u>113,573</u>	<u>65,829</u>	<u>14,163</u>	<u>582,700</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>19,374</u>	<u>(81,357)</u>	<u>(51,003)</u>	<u>18,791</u>	<u>(94,195)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	-	-	-	-
Transfers Out	(3,605)	-	-	-	(3,605)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,605)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,605)</u>
<i>Net Change in Fund Balances</i>	15,769	(81,357)	(51,003)	18,791	(97,800)
<i>Fund Balances Beginning of Year - Restated (see Note 7 )</i>	<u>3,182,089</u>	<u>683,920</u>	<u>851,766</u>	<u>644,657</u>	<u>5,362,432</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,197,858</u>	<u>\$ 602,563</u>	<u>\$ 800,763</u>	<u>\$ 663,448</u>	<u>\$ 5,264,632</u>

See accompanying notes to the basic financial statements



**Hocking Conservancy District**  
*Statement of Cash Receipts, Disbursements and Changes in Net Assets- Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2003*

	Proprietary Internal Service Funds
<b>Receipts</b>	
Interest	\$ 12
<i>Total Receipts</i>	12
<b>Disbursements</b>	
Benefits	3,643
<i>Total Disbursements</i>	3,643
<i>Excess of Receipts Over (Under) Disbursements</i>	(3,631)
<b>Other Financing Sources (Uses)</b>	
Transfers In	3,605
Transfers Out	-
<i>Total Other Financing Sources (Uses)</i>	3,605
<i>Change in Net Assets</i>	(26)
<i>Net Assets Beginning of Year</i>	2,127
<i>Net Assets End of Year</i>	\$ 2,101

See accompanying notes to the basic financial statements

**Hocking Conservancy District**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources				
Property Tax Assessments	\$ 159,905	\$ 159,905	\$ 164,192	\$ 4,287
Rents and Leases	2,186	2,186	2,244	58
Interest	50,228	50,228	51,576	1,348
Miscellaneous	9,851	9,851	10,116	265
Total Receipts and Other Financing Sources	<u>222,170</u>	<u>222,170</u>	<u>228,128</u>	<u>5,958</u>
Disbursements and Other Financing Uses				
Operations	313,374	368,706	351,368	17,338
Administration	101,064	101,555	101,184	371
Legal Fees	4,000	5,400	4,820	580
Directors	11,270	11,185	11,149	36
Transfers Out	-	-	1,790	(1,790)
Other Disbursements	390	381	370	11
Total Disbursements and Other Financing Uses	<u>430,098</u>	<u>487,227</u>	<u>470,681</u>	<u>16,546</u>
Net Change in Fund Balance	(207,928)	(265,057)	(242,553)	22,504
Fund Balance Beginning of Year	<u>3,197,858</u>	<u>3,197,858</u>	<u>3,197,858</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 2,989,930</u>	<u>\$ 2,932,801</u>	<u>\$ 2,955,305</u>	<u>\$ 22,504</u>

See Accompanying Notes to the Basic Financial Statements

**Hocking Conservancy District**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2003*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources				
Property Tax Assessments	\$ 121,221	\$ 121,221	\$ 165,105	\$ 43,884
Rents and Leases	1,647	1,647	2,244	597
Interest	145,305	145,305	197,811	52,506
Miscellaneous	31,827	31,827	43,349	11,522
Total Receipts and Other Financing Sources	<u>300,000</u>	<u>300,000</u>	<u>408,509</u>	<u>108,509</u>
Disbursements and Other Financing Uses				
Operations	273,676	281,688	276,459	5,229
Administration	94,626	97,599	97,091	508
Legal Fees	9,100	6,000	3,935	2,065
Directors	11,400	11,400	11,280	120
Transfers Out	-	-	3,605	(3,605)
Other Disbursements	740	440	370	70
Total Disbursements and Other Financing Uses	<u>389,542</u>	<u>397,127</u>	<u>392,740</u>	<u>4,387</u>
Net Change in Fund Balance	(89,542)	(97,127)	15,769	112,896
Fund Balance Beginning of Year	<u>3,182,089</u>	<u>3,182,089</u>	<u>3,182,089</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 3,092,547</u>	<u>\$ 3,084,962</u>	<u>\$ 3,197,858</u>	<u>\$ 112,896</u>

See Accompanying Notes to the Basic Financial Statements

**Hocking Conservancy District**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Improvement Fund  
 For the Year Ended December 31, 2003*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources				
Interest	\$ 22,520	\$ 22,520	\$ 32,216	\$ 9,696
Total Receipts and Other Financing Sources	<u>22,520</u>	<u>22,520</u>	<u>32,216</u>	<u>9,696</u>
Disbursements and Other Financing Uses				
Administration	<u>356,250</u>	<u>356,250</u>	<u>113,573</u>	<u>242,677</u>
Total Disbursements and Other Financing Uses	<u>356,250</u>	<u>356,250</u>	<u>113,573</u>	<u>242,677</u>
Net Change in Fund Balance	(333,730)	(333,730)	(81,357)	252,373
Fund Balance Beginning of Year	<u>683,920</u>	<u>683,920</u>	<u>683,920</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 350,190</u>	<u>\$ 350,190</u>	<u>\$ 602,563</u>	<u>\$ 252,373</u>

See Accompanying Notes to the Basic Financial Statements

**Hocking Conservancy District**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Contingency Fund  
 For the Year Ended December 31, 2003*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources				
Interest	\$ 31,530	\$ 31,530	\$ 14,826	\$ (16,704)
Total Receipts and Other Financing Sources	<u>31,530</u>	<u>31,530</u>	<u>14,826</u>	<u>(16,704)</u>
Disbursements and Other Financing Uses				
Administration	429,500	429,500	65,829	363,671
Total Disbursements and Other Financing Uses	<u>429,500</u>	<u>429,500</u>	<u>65,829</u>	<u>363,671</u>
Net Change in Fund Balance	(397,970)	(397,970)	(51,003)	346,967
Fund Balance Beginning of Year	<u>851,766</u>	<u>851,766</u>	<u>851,766</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 453,796</u>	<u>\$ 453,796</u>	<u>\$ 800,763</u>	<u>\$ 346,967</u>

See Accompanying Notes to the Basic Financial Statements

**Hocking Conservancy District**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2004 and 2003*

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Hocking Conservancy District, Athens County, (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a three-member Board of Directors. Currently, one Board member is appointed by the Athens County Conservancy Court and two Board members are appointed by the Hocking County Conservancy Court. The District provides conservation and flood control to Athens and Hocking Counties.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Basis of Accounting

These financial statements follow the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. Investments in STAR Ohio are recorded at share values, which approximates cost.

On November 2, 2001, the District received 486 shares of Anthem, Inc., stock as the result of the demutualization of Anthem Insurance Companies, Inc. On April 17, 2003, the District sold its 486 shares of Anthem, Inc., stock at \$65.83 per share. On April 29, 2003, the District received \$31,991 as a result of the sale, and deposited the proceeds in the District's General Fund.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The following describes the district's major funds:

1. General Fund:

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

2. Major Special Revenue Funds:

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The District had the following major Special Revenue Funds:

**Hocking Conservancy District**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2004 and 2003*

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Major Special Revenue Funds (Continued)

*Improvement Fund* - This fund receives interest on investments to be used to defray the expenditures relating to the Official Plan and for capital acquisition and improvement.

*Contingency Reserve Fund* - This fund receives interest on investments to be used as a reserve for unexpected costly maintenance problems.

2. Internal Service Funds

These funds are used to account for operations that provide services to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The District has the following Internal Service Funds:

*Director's Dental Insurance Fund* - This fund was established in 1999 as a self-insured fund to offer dental insurance to the Board of Directors and their spouses.

*Employees Vision Service Fund* - This fund was established in 2000 as a self-insured fund to offer vision insurance to the employees of the District and their dependents.

E. Basis of Presentation

For fiscal year 2003, the District has implemented the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. However, there are no adjustments to beginning fund balances since the basis of accounting has not changed. The District's basic financial statements consist of government-wide statements, including a statement of net cash assets and statement of activities, and fund financial statements that provide a more detailed level of financial information.

F. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net assets-cash basis presents the cash basis financial condition of governmental activities of the District at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services identifiable to a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general cash receipts of the District.

**Hocking Conservancy District**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2004 and 2003*

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Financial Statements

During the year, the District segregates transactions related to certain District's 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 District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

H. Basis of Accounting

The District prepares its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepared annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash in a cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

I. Cash Receipts—Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the monies have been received.

J. Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

K. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.



**Hocking Conservancy District**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2004 and 2003

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board of Directors must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

L. Capital Assets and Depreciation

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

M. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

N. Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements 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. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements, transfers within governmental activities are eliminated.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The carrying amount of cash and investments at December 31 was as follows:

	2004	2003
Demand Deposits	\$96,775	\$204,912
Certificates of Deposit	4,913,385	5,024,750
Total Deposits	5,010,160	5,229,662
STAR Ohio	11,643	37,071
Total Investments	11,643	37,071
Total Deposits and Investments	\$5,021,803	\$5,266,733

**Hocking Conservancy District**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2004 and 2003*

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2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

*Deposits:* Deposits are (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the District, or (3) collateralized by the financial institution's public entity deposit pool.

*Investments:* Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. PROPERTY TAX

The District receives funding from a special property tax assessment levied in 1972. The tax revenue is used to maintain and operate the Athens Local Flood Protection Project. The tax assessment is applied to real estate duplicates for those who directly benefit from the Project.

Property assessment taxes become a lien on January 1 proceeding the October 1 date for which rates are accepted by Athens and Hocking Counties. Payments are due to the Counties by December 31. If the property owner elects to make semi-annual payments, the first half is due December 31. The second half payment is due the following June 20.

The Counties are responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

4. RETIREMENT SYSTEMS

The District's appointed officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, PERS member employees contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all employer contributions required through December 31, 2004.

5. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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

**Hocking Conservancy District**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2004 and 2003

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5. RISK MANAGEMENT (Continued)

Self-Insurance

The District is also self-insured for vision coverage for employees with benefits annually limited to \$500 for single coverage per year and \$1,000 for family coverage per year and dental coverage for Directors and their spouses with benefits annually limited to \$1,000 per Director per year. The Internal Service Funds pay covered claims to service providers, and recovers these costs from transfers from the General Fund. A comparison of cash and investments relating to the Internal Service Funds for the past two years are as follows:

	2004	2003
Cash and Investments	\$2,635	\$2,101

6. INTERFUND ACTIVITY

Interfund transfers for the years ended December 31, 2004 and 2003, consisted of the following:

	2004		2003	
	Transfer	Transfer	Transfer	Transfer
	Out	In	Out	In
General	\$1,790	\$0	\$3,605	\$0
Director's Dental Insurance	0	240	0	1,450
Employees Vision Service Plan	0	1,550	0	2,155
<b>Total</b>	<b>\$1,790</b>	<b>\$1,790</b>	<b>\$3,605</b>	<b>\$3,605</b>

The District made these transfers to fund self-insurance expenditures for 2004 and 2003.

7. RESTATEMENT OF BEGINNING BALANCES

An error was noted in the reporting of the District's ending cash balances between funds as of December 31, 2002. The following is the effect of the restatement of cash balances as of December 31, 2002.

	Cash		Restated
Fund Type	Balances,	Restatement	Cash
	December 31,		Balances,
	2002		December 31,
			2002
General	\$3,179,089	\$3,000	\$3,182,089
Special Revenue	2,183,343	(3,000)	2,180,343

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

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

Board of Directors  
Hocking Conservancy District  
560 West Union Street  
Athens, Ohio 45701

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Hocking Conservancy District, Athens County, Ohio, (the District) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

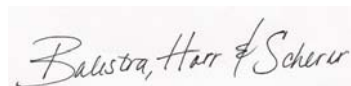
In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide opinions on the internal control over financial reporting. Our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

**Compliance and Other Matters**

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

We noted certain matters that we reported to the management of the District in a separate letter dated July 29, 2005.

This report is intended solely for the information and use of management, the Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
July 29, 2005



**Auditor of State  
Betty Montgomery**

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

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**HOCKING CONSERVANCY DISTRICT**

**ATHENS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 14, 2006**