



Mary Taylor, CPA
Auditor of State

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

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Mary Taylor, CPA

Auditor of State

Hocking Conservancy District
Athens County
560 West Union Street
Athens, Ohio 45701

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

August 13, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Hocking Conservancy District
Athens County
560 West Union Street
Athens, Ohio 45701

To the Board of Directors:

We have audited the accompanying financial statements of the Hocking Conservancy District, Athens County, Ohio (the District), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e., major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require conservancy districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Hocking Conservancy District, Athens County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 13, 2007

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Internal Service</u>	
Cash Receipts:				
Property Tax Assessments	\$ 164,977	\$ 5,188	\$	\$ 170,165
Rents and Leases	2,482			2,482
Interest	115,896	101,793	12	217,701
Miscellaneous	11,688			11,688
	<u>295,043</u>	<u>106,981</u>	<u>12</u>	<u>402,036</u>
Total Cash Receipts				
Cash Disbursements:				
Operations	344,426	12,482	3,538	360,446
Administration	112,351			112,351
Legal Fees	7,076			7,076
Directors	11,258	1,260		12,518
Capital Outlay		36,936		36,936
Other Disbursements	3,915			3,915
	<u>479,026</u>	<u>50,678</u>	<u>3,538</u>	<u>533,242</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(183,983)</u>	<u>56,303</u>	<u>(3,526)</u>	<u>(131,206)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			2,950	2,950
Transfers-Out	(2,950)			(2,950)
Advance-In	7,390	7,390		14,780
Advance-out	(7,390)	(7,390)		(14,780)
	<u>(2,950)</u>	<u>0</u>	<u>2,950</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(186,933)	56,303	(576)	(131,206)
Fund Cash Balances, January 1	<u>2,774,990</u>	<u>2,195,857</u>	<u>2,964</u>	<u>4,973,811</u>
Fund Cash Balances, December 31	<u>\$ 2,588,057</u>	<u>\$ 2,252,160</u>	<u>\$ 2,388</u>	<u>\$ 4,842,605</u>

The notes to the financial statement are an integral part of this statement.

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Internal Service</u>	
Cash Receipts:				
Property Tax Assessments	\$ 166,266	\$ 4,368	\$	\$ 170,634
Intergovernmental		7,471		7,471
Rents and Leases	2,410			2,410
Interest	103,546	147,212	15	250,773
Miscellaneous	10,856			10,856
Total Cash Receipts	<u>283,078</u>	<u>159,051</u>	<u>15</u>	<u>442,144</u>
Cash Disbursements:				
Operations	329,119	32,192	2,786	364,097
Administration	108,643	1		108,644
Legal Fees	4,797			4,797
Directors	11,270	1,260		12,530
Other Disbursements	372			372
Total Cash Disbursements	<u>454,201</u>	<u>33,453</u>	<u>2,786</u>	<u>490,440</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(171,123)</u>	<u>125,598</u>	<u>(2,771)</u>	<u>(48,296)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			3,100	3,100
Transfers-Out	(3,100)			(3,100)
Total Other Financing Receipts/(Disbursements)	<u>(3,100)</u>	<u>0</u>	<u>3,100</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(174,223)	125,598	329	(48,296)
Fund Cash Balances, January 1 (As Restated, Note 7)	<u>2,949,213</u>	<u>2,070,259</u>	<u>2,635</u>	<u>5,022,107</u>
Fund Cash Balances, December 31	<u>\$ 2,774,990</u>	<u>\$ 2,195,857</u>	<u>\$ 2,964</u>	<u>\$ 4,973,811</u>

The notes to the financial statement are an integral part of this statement.

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Hocking Conservancy District, Athens County (the District), as a body corporate and politic. A publicly-elected three-member Board of directors controls the District. The District provides services attempting to cause minimal damages from the Hocking River. The District monitors the Hocking River and runs storm water pump stations that regulate river levels.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

The District Secretary Treasurer invests all available funds of the District in an interest bearing checking account and certificates of deposit. The District values certificates of deposits at cost.

D. Budget Process

The Ohio Revised Code requires the Board to budget each fund annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object 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 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 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 canceled, and reappropriated in the subsequent year.

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Budget Process (Continued)

3. Encumbrances (Continued)

A summary of 2006 and 2005 budgetary activity appears in Note 3.

E. Fund Accounting

The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its funds into the following types:

1. General Fund (Maintenance Fund)

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

Margaret Creek Subdivision Fund – This fund receives special assessment property tax money to maintain watershed protection and flood prevention sites.

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.

FEMA Fund – This fund receives money from the Federal Emergency Management Agency to repair infrastructure damaged by storms in the District.

3. Internal Service Funds

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

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

Employee's Vision Service Plan Fund – This fund was established as a self insured fund to offer vision insurance to the employees of the District and their dependents.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. Cash and Investments

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

	2006	2005
Demand deposits	\$ 94,241	\$ 23,737
Certificates of deposit	4,736,909	4,927,127
Total deposits	4,831,150	4,950,864
STAROhio	11,455	22,947
Total Investments	11,455	22,947
Total deposits and Investments	\$ 4,842,605	\$ 4,973,811

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 280,381	\$ 302,433	\$ 22,052
Special Revenue	104,814	114,371	9,557
Internal Service	5,100	2,962	(2,138)
Total	\$ 390,295	\$ 419,766	\$ 29,471

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 518,807	\$ 489,366	\$ 29,441
Special Revenue	805,310	58,068	747,242
Internal Service	8,025	3,538	4,487
Total	\$ 1,332,142	\$ 550,972	\$ 781,170

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. Budgetary Activity (Continued)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 241,356	\$ 283,078	\$ 41,722
Special Revenue	124,858	159,051	34,193
Internal Service	6,000	3,115	(2,885)
Total	\$ 372,214	\$ 445,244	\$ 73,030

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 498,790	\$ 457,301	\$ 41,489
Special Revenue	813,688	33,453	780,235
Internal Service	8,025	2,786	5,239
Total	\$ 1,320,503	\$ 493,540	\$ 826,963

4. Retirement System

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the District contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

5. Property Tax Assessment

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 preceeding 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 pay semiannually, 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.

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

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 Director's 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:

	2006	2005
Cash and Investments	\$ 2,388	\$ 2,964

7. Restatement of Beginning Balances

The January 1, 2005, balances were restated due to errors noted as follows:

Fund Type	12/31/2004 Balance	Amount	1/1/2005 Balance
General Fund	\$ 2,955,305	\$ (6,092)	\$ 2,949,213
Special Revenue Fund	2,063,863	6,396	\$ 2,070,259

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Hocking Conservancy District
Athens County
560 West Union Street
Athens, Ohio 45701

To the Board of Directors:

We have audited the financial statements of the Hocking Conservancy District, Athens County, Ohio (the District), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 13, 2007, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated August 13, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated August 13, 2007.

We intend this report solely for the information and use of the management and the Board of Directors. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 13, 2007



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 18, 2007**