



**Auditor of State
Betty Montgomery**

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

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**Auditor of State
Betty Montgomery**

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, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Hocking Conservancy District
Athens County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, the Board of Directors and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 18, 2003

**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, 2002**

	<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	\$ 165,265	\$ 5,062	\$	\$ 170,327
Rents and Leases	2,244			2,244
Interest	44,737	60,669	22	105,428
Miscellaneous	1,137			1,137
Total Cash Receipts	<u>213,383</u>	<u>65,731</u>	<u>22</u>	<u>279,136</u>
Cash Disbursements:				
Operations	250,935	10,988	2,868	264,791
Administration	87,571	1		87,572
Legal Fees	6,359			6,359
Directors	10,521	1,155		11,676
Other Disbursements	296			296
Total Cash Disbursements	<u>355,682</u>	<u>12,144</u>	<u>2,868</u>	<u>370,694</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(142,299)</u>	<u>53,587</u>	<u>(2,846)</u>	<u>(91,558)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			1,996	1,996
Transfers-Out	(1,996)			(1,996)
Total Other Financing Receipts/(Disbursements)	<u>(1,996)</u>	<u>0</u>	<u>1,996</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(144,295)</u>	<u>53,587</u>	<u>(850)</u>	<u>(91,558)</u>
Fund Cash Balances, January 1	<u>3,323,384</u>	<u>2,129,756</u>	<u>2,977</u>	<u>5,456,117</u>
Fund Cash Balances, December 31	<u>\$ 3,179,089</u>	<u>\$ 2,183,343</u>	<u>\$ 2,127</u>	<u>\$ 5,364,559</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, 2001**

	<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	\$ 166,518	\$ 4,351	\$	\$ 170,869
Rents and Leases	2,622			2,622
Interest	230,407	152,875	54	383,336
Miscellaneous	8,986			8,986
Total Cash Receipts	<u>408,533</u>	<u>157,226</u>	<u>54</u>	<u>565,813</u>
Cash Disbursements:				
Operations	277,679	78,259	3,552	359,490
Administration	88,836	5		88,841
Legal Fees	6,993			6,993
Directors	11,196	1,260		12,456
Other Disbursements	237	2,865		3,102
Total Cash Disbursements	<u>384,941</u>	<u>82,389</u>	<u>3,552</u>	<u>470,882</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>23,592</u>	<u>74,837</u>	<u>(3,498)</u>	<u>94,931</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	58,000	63,930	1,652	123,582
Transfers-Out	(65,582)	(58,000)		(123,582)
Total Other Financing Receipts/(Disbursements)	<u>(7,582)</u>	<u>5,930</u>	<u>1,652</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>16,010</u>	<u>80,767</u>	<u>(1,846)</u>	<u>94,931</u>
Fund Cash Balances, January 1	<u>3,307,374</u>	<u>2,048,989</u>	<u>4,823</u>	<u>5,361,186</u>
Fund Cash Balances, December 31	<u><u>\$ 3,323,384</u></u>	<u><u>\$ 2,129,756</u></u>	<u><u>\$ 2,977</u></u>	<u><u>\$ 5,456,117</u></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, 2002 AND 2001**

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to 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).

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

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 STAROhio 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. The value of these shares was not considered material to the financial statements and is therefore not included. The fair market value of the stock at December 31, 2002 and 2001 was \$30,569 and \$24,057, respectively. See Note 7 for additional information.

D. Fund Accounting

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

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.

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. 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 significant Special Revenue Funds:

Margaret Creek 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.

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 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 Plan 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. Budgetary Process

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

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 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.

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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.

2. CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$ 136,092	\$ 40,780
Certificates of deposit	5,141,506	5,171,197
Total deposits	5,277,598	5,211,977
 STAROhio	 86,961	 244,140
Total investments	86,961	244,140
Total deposits and investments	\$ 5,364,559	\$ 5,456,117

Deposits: Deposits are (1) insured by the Federal Deposit 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 STAROhio are not evidenced by securities that exist in physical or book-entry form.

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 213,383	\$ 213,383
Special Revenue	0	65,731	65,731
Internal Service	0	2,018	2,018
Total	<u>\$ 0</u>	<u>\$ 281,132</u>	<u>\$ 281,132</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 382,302	\$ 357,678	\$ 24,624
Special Revenue	790,160	12,144	778,016
Internal Service	8,052	2,868	5,184
Total	<u>\$ 1,180,514</u>	<u>\$ 372,690</u>	<u>\$ 807,824</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 466,533	\$ 466,533
Special Revenue	0	221,156	221,156
Internal Service	0	1,706	1,706
Total	<u>\$ 0</u>	<u>\$ 689,395</u>	<u>\$ 689,395</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 399,991	\$ 450,523	\$ (50,532)
Special Revenue	797,819	140,389	657,430
Internal Service	7,525	3,552	3,973
Total	<u>\$ 1,205,335</u>	<u>\$ 594,464</u>	<u>\$ 610,871</u>

4. RETIREMENT SYSTEM

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 2002 and 2001, 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, 2002.

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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.

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:

	<u>2002</u>	<u>2001</u>
Cash and investments	\$2,127	\$2,977

6. 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 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.

7. SUBSEQUENT EVENT

On April 17, 2003 the District sold the 486 shares of Anthem, Inc., stock received from the demutualization, at \$65.83 per share (see Note 1C). 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.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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, 2002 and 2001, and have issued our report thereon dated July 18, 2003. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we did note certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated July 18, 2003.

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 our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated July 18, 2003.

Hocking Conservancy District
Athens County
Independent Accountants' Report on Compliance and on Internal Control
Required By *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 18, 2003

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-20705-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.36 for not certifying to the County Auditor the total amount available from all sources.	No	Not Corrected. The noncompliance issue has been reported in the Management Letter for the current audit.
2000-20705-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for appropriations exceeding the total estimated revenue.	No	Not Corrected. The noncompliance issue has been reported in the Management Letter for the current audit.



**Auditor of State
Betty Montgomery**

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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 9, 2003**