

**BUCKEYE HILLS-HOCKING VALLEY REGIONAL
DEVELOPMENT DISTRICT**

MARIETTA, OHIO

BASIC FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2005



**Auditor of State
Betty Montgomery**

Board of Directors
Buckeye Hills Hocking Valley Regional Development District
P.O. Box 520
Reno, OH 45773

We have reviewed the *Independent Auditor's Report* of the Buckeye Hills Hocking Valley Regional Development District, Washington County, prepared by S.R. Snodgrass, A.C., for the audit period July 1, 2004 through June 30, 2005. 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 Buckeye Hills Hocking Valley Regional Development 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

January 6, 2006

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**BUCKEYE HILLS-HOCKING VALLEY REGIONAL
DEVELOPMENT DISTRICT
JUNE 30, 2005**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Buckeye Hills-Hocking Valley Regional Development District
Marietta, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Hills-Hocking Valley Regional Development District (the "District"), as of and for the year ended June 30, 2005, 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 *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 opinions.

The District has excluded from depreciable capital assets and capital leases payable in the accompanying statement of net assets certain capital lease obligations that, in our opinion, should be included to conform with U.S. generally accepted accounting principles. If those lease obligations were capitalized, depreciable capital assets would be increased by \$1,320,000, and capital leases payable would be increased by \$1,340,000 as of June 30, 2005, and the change in net assets would have decreased by \$20,000 for the year ended June 30, 2005.

In our opinion, except for the effects of not including certain capital lease obligations in property and debt, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2005, on our consideration of the Buckeye Hills-Hocking Valley Regional Development 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. 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* and should be read in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

S. H. Sudman, A. C.

Wheeling, West Virginia
November 23, 2005

BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2005
Unaudited

The discussion and analysis of the Buckeye Hills-Hocking Valley Regional Development District (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the year 2005 are as follows:

- Net assets of governmental activities decreased \$286,857.
- Intergovernmental revenues in the form of federal and state grant funds for governmental activities accounted for \$13,592,189 in revenue, or almost 99 percent of all governmental revenues. Program specific revenues in the form of charges for services and interest on revolving loan fund loans accounted for \$158,249, or 1 percent of total program specific revenues of \$13,750,438.
- The District had \$14,063,075 in expenses related to governmental activities; only \$13,750,438 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$25,780 were inadequate to provide for these programs. Included in expenses is \$218,402 of excess grants funds which were awarded in previous years and determined to be excess cash holdings by the grantor. In addition, the District incurred a loss of nearly \$65,000 on the disposal of furniture and equipment primarily damaged in the flooding of September 2004. Excluding the return of the grants funds and the flood losses the District's revenues from governmental activities was adequate to provide for its programs.
- The revolving loan fund granted three new loans during the year with aggregate proceeds of \$195,000.
- The general fund, one of the major funds, had \$108,294 in revenues and \$79,534 in expenditures. After accounting for transfers out to other funds the general fund's balance decreased by \$62,111. General fund revenue increased by \$42,434 from fiscal year 2004. Included in fiscal year 2005 revenues were insurance proceeds and other reimbursements for flood damage incurred in September 2004. Recurring general fund revenues were approximately the same in fiscal year 2005 as they were in the prior year.
- On August 2, 2004, the District moved into a new location at 1400 Pike Street in Marietta, Ohio. The new location is located on State Route 7 North, which is the main highway into Marietta and will give more exposure to the District. It is a very high traffic area and is very good advertising for the public who may not know about Buckeye Hills.

The new location allows all 54 employees of the District to be housed under one roof. This will help with staff teamwork and enable work to be performed more efficiently.

BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2005
Unaudited

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole agency, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented, in total, in one column.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the District to provide programs and activities for citizens, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the availability of federal and state grant funding, continued support from member governments, and other factors.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds is included in the fund financial statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, revolving loan fund, Appalachian Regional Commission fund, and Economic Development Administration fund. The District has only governmental funds.

BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2005
Unaudited

Governmental Funds - The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found on pages 14 to 25 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets as of June 30, 2005, compared to June 30, 2004. The District has only governmental activities.

Table 1
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Current and Other Assets	\$ 3,334,992	\$ 3,207,664
Capital Assets	328,569	246,542
Loans Receivable, net	901,849	1,253,874
Total Assets	4,565,410	4,708,080
Liabilities		
Current and Other Liabilities	1,721,343	1,577,156
Net Assets		
Invested in Capital Assets	260,859	246,542
Restricted	901,849	1,253,874
Unrestricted	1,681,359	1,630,508
Total Net Assets	\$ 2,844,067	\$ 3,130,924

Total assets decreased \$142,670. Loans receivable decreased by \$352,025 primarily as the result of the payoff of several loans prior to maturity. Principal payments made by borrowers were approximately \$547,000, while new loan proceeds disbursed for the year were \$195,000. Total liabilities increased by \$144,187. This resulted primarily from the addition of three capital leases with an aggregate balance of \$67,710 at June 30, 2005, and an increase in deferred revenue of \$80,869. The capital leases were incurred to finance the acquisition of office equipment. Deferred revenue represents the unearned portion of grant funds received.

BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2005
Unaudited

Table 2 shows the changes in net assets for the year ended June 30, 2005, compared to the year ended June 30, 2004.

Table 2
Change in Net Assets

	2005	2004
Revenues		
Program Revenues:		
Charges for services	\$ 158,249	\$ 145,234
Operating grants	13,592,189	12,267,798
General Revenues:		
Interest	23,226	21,990
Gain on sale of stock	-	7,339
Miscellaneous	67,449	6,758
Loss on disposal of assets	(64,895)	-
Total Revenues	13,776,218	12,449,119
Expenses		
General Government	14,063,075	12,545,949
Change in Net Assets	\$ (286,857)	\$ (96,830)

In both fiscal 2005 and 2004, 99 percent of the District's revenues were from operating grants.

Program revenues accounted for nearly all of the District's revenues in both fiscal years. These revenues consist of various federal and state grants and charges for services, including interest on revolving loan fund loans.

General government activities account for 100 percent of total program expenses.

BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2005
Unaudited

The District Funds

The District's major funds are accounted for using the accrual basis of accounting. All governmental funds had total revenues of \$13,857,865 and expenditures of \$14,157,455, resulting in a decrease in fund balances of \$299,590. Although the District's spending exceeded revenues during the fiscal year ended June 30, 2005, the greatest part of the decrease in fund balances was caused by a return of \$218,402 in revolving loan funds to the grantor as requested. The District's major funds were the same as the previous year and consist of the general, revolving loan, and PASSPORT funds. The PASSPORT fund realized an increase in revenue and expenses in the amount of \$1,648,064, as the result of an increased demand for services.

General Fund and Budgetary Highlights

Although a legal budget is not required, budgets for expenditure of federal grants are prepared and approved by the awarding federal government agency at the time the grants are awarded. The District has operated within budgetary constraints of its grants, although this information is not presented herein.

The general fund's revenues exceeded its expenditures by \$28,760 in 2005, compared with an excess of revenues over expenditures of \$36,473 during fiscal year 2004.

Economic Factors

The District is currently operating within its means. However, the District's ability to attract administrative and program funds for its projects is heavily dependent upon the federal and state governments and the availability of grant funds. Nearly all of the District's funds come from federal and state grants. The District operates within a designated eight county area of Southeastern Ohio. Loans made through the revolving loan fund are to businesses within this area. The ability of borrowers to repay these loans is largely contingent upon the business economy in the eight county area.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Douglas Dye, Director of Fiscal Affairs, P.O. Box 520, Reno, Ohio 45773.

BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT

Statement of Net Assets

June 30, 2005

Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,673,434
Prepaid Items	14,153
Loans Receivable, net	901,849
Grants Receivable	647,405
Nondepreciable Capital Assets	8,000
Depreciable Capital Assets, net	<u>320,569</u>
<i>Total Assets</i>	<u>4,565,410</u>
Liabilities	
Accounts Payable	1,160,800
Accrued Wages and Benefits	113,767
Other Accrued Expenses	28,314
Deferred Revenue	221,776
Capital Leases Payable	67,710
Compensated Absences Payable	<u>128,976</u>
<i>Total Liabilities</i>	<u>1,721,343</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	260,859
Restricted for:	
Loans	901,849
Unrestricted	<u>1,681,359</u>
<i>Total Net Assets</i>	<u>\$ 2,844,067</u>

See accompanying notes to the basic financial statements

BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT

Statement of Activities

For the Year Ended June 30, 2005

	Program Revenues			Net Expense and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government Governmental Activities:				
General Government:	\$ 14,063,075	\$ 158,249	\$ 13,592,189	\$ (312,637)
		General Revenues		
		Interest Income		23,226
		Loss on Disposal of Assets		(64,895)
		Miscellaneous		67,449
		<i>Total General Revenues</i>		<u>25,780</u>
		Change in Net Assets		(286,857)
		<i>Net Assets Beginning of Year</i>		<u>3,130,924</u>
		<i>Net Assets End of Year</i>		<u>\$ 2,844,067</u>

See accompanying notes to the basic financial statements

BUCKEYE HILL-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT
Balance Sheet
Governmental Funds
June 30, 2005

	General	Revolving Loan Fund	PASSPORT	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$ 482,036	\$ 979,460	\$ 951,358	\$ 260,580	\$ 2,673,434
Grants Receivable	-	-	296,009	331,039	627,048
Due from Other Funds	347,791	-	-	-	347,791
Prepaid Items	14,153	-	-	-	14,153
Loans Receivable, Net	-	901,849	-	-	901,849
<i>Total Assets</i>	<u>\$ 843,980</u>	<u>\$ 1,881,309</u>	<u>\$ 1,247,367</u>	<u>\$ 591,619</u>	<u>\$ 4,564,275</u>
Liabilities					
Accounts Payable	\$ -	\$ -	\$ 1,008,195	\$ 261,224	\$ 1,269,419
Other Accrued Expenses	26,730	-	-	-	26,730
Accrued Wages and Benefits	113,767	-	-	-	113,767
Due to Other Funds	-	-	239,172	108,619	347,791
Deferred Revenue	-	-	-	221,776	221,776
<i>Total Liabilities</i>	<u>140,497</u>	<u>-</u>	<u>1,247,367</u>	<u>591,619</u>	<u>1,979,483</u>
Fund Balances					
Reserved for Loans Receivable	-	901,849	-	-	901,849
Unreserved:					
Undesignated Reported in:					
General Fund	703,483	-	-	-	703,483
Special Revenue Fund	-	979,460	-	-	979,460
<i>Total Fund Balances</i>	<u>703,483</u>	<u>1,881,309</u>	<u>-</u>	<u>-</u>	<u>2,584,792</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 843,980</u>	<u>\$ 1,881,309</u>	<u>\$ 1,247,367</u>	<u>\$ 591,619</u>	<u>\$ 4,564,275</u>

See accompanying notes to the basic financial statements

BUCKEYE HILL-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005*

Total Governmental Funds Balances	\$ 2,584,792
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	326,985
Long-term receivables are not available to pay for current period expenditures and therefore are deferred in the funds	128,976
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Capital Leases	(67,710)
Compensated Absences	<u>(128,976)</u>
Net assets of governmental activities	<u>\$ 2,844,067</u>

BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Revolving Loan Fund	PASSPORT	Other Governmental Funds	Total Governmental Funds
Revenues					
Intergovernmental	\$ 48,018	\$ -	\$ 10,912,667	\$ 2,631,504	\$ 13,592,189
Interest	4,540	11,476	5,289	1,921	23,226
Charges for Services	-	50,640	86,740	36,029	173,409
Other	55,736	9,341	2,903	1,061	69,041
<i>Total Revenues</i>	<u>108,294</u>	<u>71,457</u>	<u>11,007,599</u>	<u>2,670,515</u>	<u>13,857,865</u>
Expenditures					
Current:					
General Government	79,534	308,936	11,007,599	2,761,386	14,157,455
<i>Total Expenditures</i>	<u>79,534</u>	<u>308,936</u>	<u>11,007,599</u>	<u>2,761,386</u>	<u>14,157,455</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>28,760</u>	<u>(237,479)</u>	<u>-</u>	<u>(90,871)</u>	<u>(299,590)</u>
Other Financing Sources (Uses)					
Transfers In	1,669			(1,669)	-
Transfers Out	(92,540)			92,540	-
<i>Total Other Financing Sources (Uses)</i>	<u>(90,871)</u>	<u>-</u>	<u>-</u>	<u>90,871</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>(62,111)</u>	<u>(237,479)</u>	<u>-</u>	<u>-</u>	<u>(299,590)</u>
<i>Fund Balances Beginning of Year</i>	<u>765,594</u>	<u>2,118,788</u>	<u>-</u>	<u>-</u>	<u>2,884,382</u>
<i>Fund Balances End of Year</i>	<u>\$703,483</u>	<u>\$ 1,881,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,584,792</u>

See accompanying notes to the basic financial statements

BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005*

Net Change in Fund Balances - Total Governmental Funds \$ (299,590)

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets greater than \$10,000 is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	\$	156,939
Depreciation		(79,311)
Loss on Disposal of Assets		<u>(64,895)</u>
 Total		 <u>12,733</u>

Change in Net Assets of Governmental Activities \$ (286,857)

**BUCKEYE HILLS HOCKING-VALLEY REGIONAL DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Buckeye Hills-Hocking Valley Regional Development District, hereinafter referred to as the District, was created as an agency established by agreement among its members pursuant to Section 167.01-08 of the Ohio Revised Code. The District is organized as a voluntary organization of local government political subdivisions in Athens, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington Counties to foster a cooperative effort in regional planning, programming, and implementing regional plans and programs. The District is also organized as a forum for the discussion and study of common problems of a regional nature, and for the development of policy and action recommendations relating thereto.

The functions of the District are:

1. To foster, develop, and review plans for regional growth, development, and conservation; and to aid in coordinating plans among local governments.
2. To perform planning directly by personnel of the District, or under contracts between the District and other public and private planning agencies; to undertake studies, collect data, develop regional plans and programs, and engage in such other activities as the District finds necessary or desirable for the solution of regional problems. Said planning and studies shall include, but will not be limited to, those relating to land use, transportation, housing, environmental controls, health, economic development, and community and public facilities.
3. To serve, upon the request of the local government, as a representative of such government in such matters as may affect the region as a whole.
4. To provide a continuing practical structural mechanism to promote communication and cooperation among area governmental units and agencies.
5. To review, evaluate, comment upon, and make recommendations relating to the planning and programming, and the location, financing, and scheduling of programs in the region through the A-95 program review process.

The District may perform common functions and services characteristic of its individual political subdivisions as described in ORC 167.03.

The District may enter into special purpose contracts or agreements with one or more local government units or private non-profit organizations within the District to act on their behalf in applying for, administering, and coordinating grants and contracts available for programs authorized by State and Federal laws for physical, economic, and human resources planning and development.

The authority granted to the District shall not displace any existing municipal, county, or regional planning commission in the exercise of its statutory powers.

BUCKEYE HILLS HOCKING-VALLEY REGIONAL DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Eligibility

All cities, counties, and county seats within the counties of Athens, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington are eligible for membership in the District. Membership may be extended to other local political subdivisions, government agencies, and quasi-governmental agencies located both within and outside the eight-county area if said membership is conducive to facilitating federal, state, or regional planning objectives. Also, temporary associate membership may be extended for a special project lying partially outside the boundaries of the eight-county area. The latter membership's authorization shall be made upon majority approval of the General Policy Council's total membership.

The accompanying financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," and the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

BUCKEYE HILLS HOCKING-VALLEY REGIONAL DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio and the bylaws of the District.

Revolving Loan Fund – The Revolving Loan Fund offers low interest loans to businesses with the District's eight county region. Such funds are to be used in the event that full financing cannot be obtained from a bank, or to fill the gap between bank financing and the financing necessary to complete a business project. Bank participation is required. Initial funding for the revolving loan fund came from grants from the Appalachian Regional Commission.

PASSPORT – The PASSPORT fund is used to account for the activities of the Pre-Admission Screening System Providing Options and Resources Today. This is an Ohio Medicaid waiver program that provides in-home alternatives to nursing care for low-income seniors frail enough to receive daily nursing care.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and becomes available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year-end.

BUCKEYE HILLS HOCKING-VALLEY REGIONAL DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

D. Interfund Transactions

During the course of normal operations, the District has transactions between funds. On the governmental funds balance sheet, receivables and payables resulting from short-term interfund loans are classified as “due to/due from other funds.” These amounts are eliminated on the statement of net assets.

E. Capital Assets

General capital assets consist primarily of office furnishings and equipment and generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized.

F. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

BUCKEYE HILLS HOCKING-VALLEY REGIONAL DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Reservation of Fund Balance

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity which is available for appropriations in future periods. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

H. Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets are reported as restricted when there are legal imitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws, or regulations of other governments.

I. Estimates

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

J. Deferred Revenues

The District reports unearned deferred revenue in the governmental fund balance sheet. Deferred and unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within 60 days after year-end are considered to have been for prior year services.

K. Budgetary Process

Although a legal budget is not required, nor is a budgetary statement, budgets for expenditure of federal grants are submitted to and approved by the federal government agency at the time the grants are awarded.

The District's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ended June 30.

The District's primary funding source is federal and state grants which have grant periods that may or may not coincide with the District's fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

Because of the District's dependency on federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The District's annual budget differs from that of most local governments in two respects: (1) the uncertain nature of grant awards from other entities and (2) conversion of grant budgets to a fiscal year basis.

**BUCKEYE HILLS HOCKING-VALLEY REGIONAL DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The resultant annual budget is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant awards from those estimated;
- Changes in grant periods;
- Unanticipated grant awards not included in the budget; and
- Expected grant awards that fail to materialize.

The Board formally approves the annual budget, but greater emphasis is placed on complying with the grant budget and terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances.

Although the annual budgets for the General and Special Revenue Funds are reviewed and approved by the Board, they are not legally required budgets. Therefore, budgetary comparison schedules are not presented.

L. Cost Allocation

Office of Management and Budget Circular A-87 provides for the establishment of cost pools which are to be distributed over the benefiting activity in some rational and equitable manner. The concept of indirect costs is introduced and defined as follows in Circular A-87: "Indirect costs are those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objective specifically benefited without effort disproportionate to the results achieved."

OMB Circular A-87 also provides the following basis options for the allocation of indirect costs accumulated in an indirect cost pool: (1) direct salary costs or (2) total direct costs, excluding items like large consulting contracts and capital expenditures.

The District chose the direct salary cost method because management determined that the more salary costs a grant has, the more indirect costs that grant would have. Management and administrative salaries and indirect costs are allocated to the various programs using the actual rate as determined by the method shown in the District's cost allocation plan.

Allowance for Loan Losses

The allowance for loan losses in the amount of \$77,000 at June 30, 2005, is based upon management's assessment of current and historical loss experience, loan portfolio trends, prevailing economic and business conditions, specific loan review, and other relevant factors. Specific allowances are established for any impaired loan for which the recorded investment in the loan exceeds the measured value of the loan. In management's opinion, the provision is sufficient to maintain the allowance for loan losses at a level that adequately provides for potential losses.

**BUCKEYE HILLS HOCKING-VALLEY REGIONAL DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The following policies of the District regarding leave accrual were followed:

1. Vacation

Full-time employees earn vacation annually, on their hire date, on the following basis: 1 through 5 years of employment, 15 working days; 6 through 10 years of employment, 20 working days; 11 through 20 years, 25 working days; 21 years and over, 30 working days.

If an employee has a balance of vacation leave at the end of their annual period, they may carry over up to 35 hours with any hours above the 35 being lost.

After 6 months of employment, all employees may take an advance of up to 35 hours of vacation leave that is charged to their 1st year accrual of vacation leave.

2. Sick Leave

Full-time employees, from the date of employment, shall earn leave at the rate of one and one-fourth days for each month worked, to a maximum of 132 days.

3. Holidays

The District has ten official holidays per year. Full-time employees are paid for these holidays; part-time employees are not paid.

Payment of Compensated Absences

1. Vacation

All employees are entitled to full payment of any unused vacation pay upon separation from the District.

All employees who exercise the option of taking an advance of vacation against their first year accrual are liable for repayment to the District if they separate from service with the District prior to one full year of employment.

Employees with 21 years and over of service have the option of receiving 5 days of pay and a reduction of vacation leave available by 5 days.

2. Sick Leave

All employees who accumulate sick leave hours in excess of 132 days will receive pay for accumulated leave on a ratio of one-half of accumulated leave in excess of 132 days and will be calculated at the employee's current rate of pay at the end of each fiscal year.

**BUCKEYE HILLS HOCKING-VALLEY REGIONAL DEVELOPMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upon retirement within the PERS system and with at least 10 years of service to the District, an employee may elect to be paid in cash for one-fourth of the value of their accrued sick leave credit to a maximum of 33 days. Such payment shall be based on the employee's rate of pay at the time of retirement. Payment of sick leave on this basis shall be considered to eliminate all sick leave credit accrued by the employee at that time and such payment may be made only once to any employee. The maximum payment which may be made under this shall be one-fourth of 132 days.

In the event of the death of an employee who has at least 10 years of service, payment of unused sick leave will be made to the employee's spouse or estate in the same manner as a retiring individual.

Changes in the District's liability for compensated absences during fiscal year 2004 follows:

Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
\$ 110,979	\$ 170,406	\$ (152,409)	\$ 128,976

Risk Management

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance covering each of the above risks of loss. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the District.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. As of June 30, 2005, all deposits consist of certificates of deposit or checking accounts with federally insured depository institutions.

At June 30, 2005, the carrying amount of the District's deposits was \$2,673,334, and the bank balance was \$2,792,502.

The District's deposits are categorized to give an indication of the level of risk assumed by the District at June 30, 2005. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the entity or by its agency in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name.

Category 3 - Uncollateralized.

**BUCKEYE HILLS HOCKING-VALLEY REGIONAL DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Category 1	\$ 200,000
Category 2	2,592,502
Category 3	<u> -</u>
Total	<u>\$ 2,792,502</u>

NOTE 3. LEASES

Operating Lease

The District leases a building, which formerly housed its PASSPORT offices, under a long-term lease. The lease expires in June 2005. Lease payments for this property were approximately \$33,600 during the year ended June 30, 2005, and future minimum payments required are \$33,600 for the year ending June 30, 2006.

Capital Leases

The District has entered into several capitalized leases for office equipment. The assets under capital leases are capitalized in the governmental activities general capital assets at \$77,537, which represents the present value of the future minimum lease payments at acquisition. A corresponding liability was recorded in the governmental activities general long-term debt.

The following is a schedule of future minimum lease payments under the capital leases as of June 30, 2005.

<u>Year Ending June 30</u>			
2006		\$ 18,566	
2007		18,566	
2008		18,566	
2009		18,566	
2010		<u>5,245</u>	
Total minimum lease payments		79,509	
Less amount representing interest		<u>11,799</u>	
Present value of minimum lease payments		<u>\$ 67,710</u>	

In August 2004, the District entered into a lease a building which houses substantially all of its operations. The term of the lease is 45 years, with a fixed monthly payment of \$14,200. The lessor is responsible for the payment of all utilities costs, real estate taxes, property insurance, repairs and maintenance. The District accounts for the lease as an operating lease. However, generally accepted accounting principles require that the lease be accounted for as a capital lease. The future minimum lease payments required are \$170,400 for each year through June 30, 2049.

BUCKEYE HILLS HOCKING-VALLEY REGIONAL DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 4. DEFINED BENEFIT PENSION PLAN- OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The District's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to the traditional and combined plans for the year ended June 30, 2005, 2004, and 2003, were \$154,106, \$130,410, and \$150,354, respectively. The full amount has been contributed for 2003 and 2004, while 89 percent has been contributed for 2005. For fiscal year 2005, \$17,429 represents the unpaid contribution and is recorded as a liability within the respective funds.

NOTE 5. POST-EMPLOYMENT BENEFITS – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care based on authority granted by State Statute. The employer contribution rate used to fund health care benefits was 4.0 percent for the fiscal year ended June 30, 2005.

BUCKEYE HILLS HOCKING-VALLEY REGIONAL DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 5. POST-EMPLOYMENT BENEFITS – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (CONTINUED)

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants in the traditional and combined plans was 369,885. The District's actual contributions for the fiscal year ended June 30, 2005, which were used to fund post-employment benefits were \$64,812. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCCP) with an effective date of January 1, 2007. The HCCP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

NOTE 7. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 8,000	\$ -	\$	\$ 8,000
Office equipment	221,960	206,194	102,940	325,214
Computer Equipment	<u>245,065</u>	<u>20,047</u>	<u>22,894</u>	<u>242,218</u>
Total at historic cost	<u>475,025</u>	<u>\$ 226,241</u>	<u>\$ 125,834</u>	<u>575,432</u>
Less accumulated depreciation:				
Office equipment	128,180	\$ 35,900	\$ 42,543	121,537
Computer equipment	<u>100,303</u>	<u>43,411</u>	<u>18,388</u>	<u>125,326</u>
Total accumulated Depreciation	<u>228,483</u>	<u>\$ 79,311</u>	<u>\$ 60,931</u>	<u>246,863</u>
Governmental activities Capital assets, net	<u>\$ 246,542</u>			<u>\$ 328,569</u>

BUCKEYE HILLS HOCKING-VALLEY REGIONAL DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 8. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

B. Subcontractors

For a majority of the expenditures in the Aging programs, the District contracts with local non-profit agencies and for profit companies to perform the specific services set forth in the grant agreements. The District disburses grant funds to the entities based on monthly performance reports received from each entity. Some of the non-profit Aging subcontractors are required to have an annual independent audit. Under OMB Circular A-133, the District requires each agency to submit a copy of the audit reports. If such audits disclose expenditures not in accordance with the terms of the grants, the grantor agency could disallow the costs and require reimbursement of the disallowed costs either from the District or the delegate agency. The District generally has the right of recovery from the subcontractors.

For the year ended June 30, 2005, agency costs of various amounts were disbursed for which the audits have not been received. Based upon prior experience, management believes that the District will not incur significant losses from possible grant disallowances.

**BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/GRANTOR/PASS THROUGH AGENCY Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDI- TURES
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Ohio Department of Aging: Seniors Farmers Market Nutrition Program	10.576	n/a	\$ 4,570
DEPARTMENT OF COMMERCE			
Direct from Economic Development Administration Economic Development - Support for Planning Organizations	11.302	n/a	54,628
APPALACHIAN REGIONAL COMMISSION			
Direct from Appalachian Regional Commission Appalachian Research, Technical Assistance, and Demonstration Projects:			
Technical Assistance 302 (A)	23.011	n/a	86,331
Technical Assistance 302 (A)	23.011	n/a	87,655
Revolving Loan Program	23.011	n/a	195,011
Total Appalachian Regional Commission			368,997
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Ohio Department of Aging: Special Programs for the Aging:			
Title III, Part C Nutrition Services	93.045	n/a	659,057
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	n/a	457,035
Nutrition Services Incentive Program	93.053	n/a	97,746
Aging Cluster Subtotal			1,213,838
National Family Caregiver Support	93.052	n/a	140,576
Special Programs for the Aging - Title VII, Chapter 3- Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	n/a	8,942
Special Programs for the Aging - Low-Income Home Energy Assistance	93.568	n/a	15,503
Medical Assistance Program - PASSPORT	93.778	n/a	6,101,318
Total Department of Health and Human Services			7,480,177
DEPARTMENT OF HOMELAND SECURITY			
Passed through the State of Ohio Emergency Management Agency Public Assistance Grants	97.036	1556-DR-167US5Z7	39,794
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 7,948,166

**BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the modified accrual basis of accounting.

NOTE B - SUBRECIPIENTS

The District passes-through certain Federal assistance received from the Ohio Department of Aging to other governments or not-for-profit agencies (subrecipients). The District records expenditures of Federal awards to subrecipients when services are provided by the subrecipients.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the District is responsible for monitoring subrecipients to help assure Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts grant agreements, and that performance goals are achieved.

NOTE C - REVOLVING LOAN FUND

The District has established a revolving loan program to provide low-interest loans to businesses to create jobs in the region. The Appalachian Regional Commission (ARC), Economic Development Administration (EDA), and the United States Department of Agriculture (USDA) have granted money for these loans to the District. The initial loan of this money is recorded as a disbursement on the accompanying Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by the grantors. Such ARC loans are included as disbursements on the Schedule.

Collateral for these loans is determined on a case-by-case basis, but includes mortgages on real estate and liens on business equipment and inventory.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally funded programs. The District has complied with the matching requirements.

NOTE E – GRANTOR'S IDENTIFICATION NUMBERS

The Ohio Department of Aging does not issue grant identification numbers to funds passed through its agency. Therefore, there are no identification numbers to list on the Schedule of Expenditures of Federal Awards.



**INDEPENDENT AUDITOR'S 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
Buckeye Hills-Hocking Valley Regional Development District
Marietta, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Hills-Hocking Valley Regional Development District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 23, 2005. In our report, our opinion was qualified because the District did not capitalize certain lease obligations. 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 Buckeye Hills-Hocking Valley Regional Development 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Buckeye Hills-Hocking Valley Regional Development 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*.

This report is intended solely for the information of the Board of Directors, management, others within the organization, and the federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

S. H. Smolman, A.C.

Wheeling, West Virginia
November 23, 2005



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Buckeye Hills-Hocking Valley Regional Development District
Marietta, Ohio

Compliance

We have audited the compliance of Buckeye Hills-Hocking Valley Regional Development District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. Buckeye Hills-Hocking Valley Regional Development District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of Buckeye Hills-Hocking Valley Regional Development District's management. Our responsibility is to express an opinion on Buckeye Hills-Hocking Valley Regional Development District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Buckeye Hills-Hocking Valley Regional Development District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Buckeye Hills-Hocking Valley Regional Development District's compliance with those requirements.

In our opinion, Buckeye Hills-Hocking Valley Regional Development District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Buckeye Hills-Hocking Valley Regional Development District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Buckeye Hills-Hocking Valley Regional Development District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors, management, others within the organization, and the federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

S. H. Sudman, a.c.

Wheeling, West Virginia
November 23, 2005

**BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2005**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

A qualified opinion has been issued on the financial statements as of and for the year ended June 30, 2005, dated November 23, 2005.

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified not considered to be material weaknesses? Yes X No

An unqualified opinion has been issued on the compliance for major programs as of and for the year ended June 30, 2005, dated November 23, 2005.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? Yes X No

Identification of major programs:

CFDA Number

Name of Federal Program

93.778

U.S. Department of Health & Human Services -
Medical Assistance Program - PASSPORT

The dollar threshold used to distinguish between Type A and B programs was \$300,000.

Buckeye Hills-Hocking Valley Regional Development District qualified as a low-risk auditee for the year ended June 30, 2005.

**BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND
SUMMARY OF AUDITORS' RESULTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS

Financial Statement Findings in Accordance with GAGAS

We noted no findings related to the financial statements which are required to be reported in accordance with GAGAS.

Findings and Questioned Costs for Federal Awards

We noted no findings or questioned or likely questioned costs for federal awards for the fiscal year ended June 30, 2005.

**BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT
STATUS OF PRIOR YEAR AUDIT FINDINGS/COMMENTS
JUNE 30, 2005**

There were no audit findings or comments for Buckeye Hills-Hocking Valley Regional Development District for the year ended June 30, 2004.



**Auditor of State
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BUCKEYE HILLS HOCKING VALLEY REGIONAL DEVELOPMENT DISTRICT

WASHINGTON 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
JANUARY 19, 2006**