

***HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2014 & 2013





Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Hocking Conservancy District, Athens County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 11, 2015

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**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY
AUDIT REPORT
For Years Ending December 31, 2014 and 2013**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Hocking Conservancy District, Athens County, (the District) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D); this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

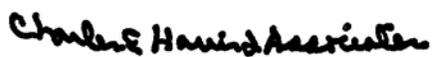
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2014 and 2013, or changes in financial position or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Hocking Conservancy District, Athens County, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

June 1, 2015

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2014**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Property Tax Assessments	\$ 334,008	\$ 158,304	\$ 492,312
Rents and Leases	2,865	-	2,865
Interest	4,117	5,796	9,913
Miscellaneous	47,633	-	47,633
Total Cash Receipts	<u>388,623</u>	<u>164,100</u>	<u>552,723</u>
Disbursements:			
Current Disbursements:			
Conservation:			
Salaries	256,056	1,436	257,492
Fringe Benefits	131,430	-	131,430
Supplies and Materials	9,831	-	9,831
Equipment	23,160	1,100	24,260
Utilities	19,861	-	19,861
Contracts - Repairs	1,503	10,290	11,793
Contracts - Services	20,352	2,972	23,324
Other	49,899	5,559	55,458
Debt Service:			
Principal Retirement	-	29,000	29,000
Interest	-	7,892	7,892
Total Cash Disbursements	<u>512,092</u>	<u>58,249</u>	<u>570,341</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(123,469)	105,851	(17,618)
Other Financing Receipts/(Disbursements)			
Transfers-Out	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>
Net Change in Fund Balances	(129,469)	105,851	(23,618)
Fund Cash Balance, January 1, 2013	<u>1,479,639</u>	<u>2,259,776</u>	<u>3,739,415</u>
Fund Balances			
Restricted	-	2,365,627	2,365,627
Unassigned	1,350,170	-	1,350,170
Fund Cash Balance, December 31, 2013	<u>\$ 1,350,170</u>	<u>\$ 2,365,627</u>	<u>\$ 3,715,797</u>

See Accompanying Notes to the Financial Statements.

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES
All Proprietary Fund Types
For the Year Ended December 31, 2014**

	Proprietary Fund Type
	Internal Service
Operating Cash Disbursements	
Benefits	\$ 6,133
Administration	19
	6,152
<i>Total Operating Cash Disbursements</i>	6,152
<i>Operating Income (Loss)</i>	(6,152)
Non-operating Cash Receipts	
Earnings on Investments	2
	2
<i>Total Non-operating Cash Receipts</i>	2
<i>Income (Loss) Before Transfers</i>	(6,150)
Transfers In	6,000
	6,000
<i>Net Change in Fund Cash Balances</i>	(150)
<i>Fund Cash Balances, January 1</i>	3,675
	3,675
<i>Fund Cash Balances, December 31</i>	\$ 3,525
	3,525

See Accompanying Notes to the Financial Statements.

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2013**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Receipts:			
Property Tax Assessments	\$ 340,038	\$ 4,522	\$ 344,560
Rents and Leases	2,865	-	2,865
Interest	3,805	4,986	8,791
Miscellaneous	14,362	-	14,362
Total Cash Receipts	361,070	9,508	370,578
Disbursements:			
Current Disbursements:			
Conservation:			
Salaries	303,015	1,404	304,419
Fringe Benefits	137,027	-	137,027
Supplies and Materials	9,603	-	9,603
Equipment	23,227	1,437	24,664
Utilities	15,494	-	15,494
Contracts - Repairs	2,994	4,896	7,890
Contracts - Services	23,752	15,503	39,255
Advertising and Printing	510	-	510
Other	54,489	1,249	55,738
Capital Outlay	-	3,266	3,266
Debt Service:			
Interest	-	2,551	2,551
Total Cash Disbursements	570,111	30,306	600,417
Total Cash Receipts Over/(Under)			
Cash Disbursements	(209,041)	(20,798)	(229,839)
Other Financing Receipts/(Disbursements)			
Transfers-Out	(8,000)	-	(8,000)
Total Other Financing Receipts/(Disbursements)	(8,000)	-	(8,000)
Net Change in Fund Balances	(217,041)	(20,798)	(237,839)
Fund Cash Balance, January 1, 2013	1,696,680	2,280,574	3,977,254
Fund Balances			
Restricted	-	2,259,776	2,259,776
Unassigned	1,479,639	-	1,479,639
Fund Cash Balance, December 31, 2013	\$ 1,479,639	\$ 2,259,776	\$ 3,739,415

See Accompanying Notes to the Financial Statements.

HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES
All Proprietary Fund Types
For the Year Ended December 31, 2013

	Proprietary Fund Type Internal Service
Operating Cash Disbursements	
Benefits	\$ 7,027
<i>Total Operating Cash Disbursements</i>	<i>7,027</i>
<i>Operating Income (Loss)</i>	<i>(7,027)</i>
Non-operating Cash Receipts	
Earnings on Investments	2
<i>Total Non-operating Cash Receipts</i>	<i>2</i>
<i>Income (Loss) Before Transfers</i>	<i>(7,025)</i>
Transfers In	8,000
<i>Change in Fund Cash Balances</i>	<i>975</i>
<i>Fund Cash Balances, January 1</i>	<i>2,700</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 3,675</i>

See Accompanying Notes to the Financial Statements.

HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2014 and 2013

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Hocking Conservancy District, Hocking County, (the District) as a body corporate and politic. A three member Board of Directors directs the District. The Conservancy Court appoints the Board of Directors. The District provides conservation and flood control to the property owners of Southeast Ohio.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report

D. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2014 and 2013

1. Summary of Significant Accounting Policies – (continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated

A summary of 2014 and 2013 budgetary activity appears in Note 3.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The District classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a District official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2014 and 2013

1. Summary of Significant Accounting Policies – (Continued)

E. Fund Balance – (Continued)

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

F. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

The District maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2014	2013
Demand deposits	\$670,894	\$390,867
Certificates of Deposit	3,036,000	3,339,800
Total deposits	3,706,894	3,730,667
STAROhio	12,428	12,423
Total investments	12,428	12,423
Total deposits and investments	<u>\$3,719,322</u>	<u>\$3,743,090</u>

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for all funds for the years ending December 31, 2014 and 2013 follows:

HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2014 and 2013

3. BUDGETARY ACTIVITY – (Continued)

2014 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$556,125	\$558,725	\$2,600

2014 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation Authority	Budgetary Disbursements	Variance
\$1,543,337	\$582,493	\$960,844

2013 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$361,392	\$378,580	\$17,188

2013 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation Authority	Budgetary Disbursements	Variance
\$1,526,782	\$615,444	\$911,338

4. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2014.

5. Property Tax Assessment

The District receives money 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 benefit directly from the project.

Real property taxes become a lien on January 1 preceding the October 1 date for which the rates are accepted by Athens and Hocking Counties. Payments are due to the Counties by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

HOCKING CONSERVANCY DISTRICT
 ATHENS COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2014 and 2013

6. Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Settlement amounts have not exceeded insurance coverage for the last three years. There has been no reduction in liability limits.

7. Risk Management

The District is self-insured for vision coverage for employees with benefits annually limited to \$1,500 per year per household for Directors, Employees, Spouses and dependent children and dental coverage for Directors and their families with benefits annually limited to \$1,000 per year. The Internal Service funds pay covered claims to service providers, and recover these costs from transfers from the General fund. A comparison of Self Insurance Fund cash and investments to the actuarially-measured liability as of December 31 follows:

	2014	2013
Cash and investments	\$3,525	\$3,675

8. Interfund Loan (Manuscript Debt)

Debt outstanding at December 31, 2014 payable from Margaret Creek Special Revenue Fund and to the General fund was as follows:

	Principal	Interest Rate
Interfund Loan (Manuscript Debt)	\$101,000	2.00%

In 2011, the District initiated a loan agreement wherein the General Fund loaned the Margaret Creek Special Revenue Fund \$130,000 at an interest rate of 2% to be repaid over twenty (20) years.

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Hocking Conservancy District, Athens County, (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 1, 2015, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

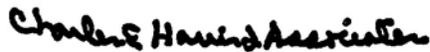
Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we have reported to the management of the District in a separate letter dated June 1, 2015.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
June 1, 2015

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Dave Yost • Auditor of State

HOCKING CONSERVANCY DISTRICT

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 24, 2015**