



**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004-2003



**Auditor of State
Betty Montgomery**

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Hunter's Run Conservancy District
Fairfield County
P.O. Box 2268
Lancaster, Ohio 43130-5268

To the Board of Directors:

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

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

As discussed in Note 2, the accompanying financial statements and notes follow the modified-cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective modified-cash basis financial position of the governmental activities and each major fund of Hunter's Run Conservancy District, Fairfield County, Ohio, as of December 31, 2004 and December 31, 2003, and the respective changes in modified-cash basis financial position for the years then ended in conformity with the accounting basis Note 2 describes.

As described in Note 4, during the years ended December 31, 2004 and December 31, 2003, the District revised its statement presentation comparable to the requirements of Government Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

As described in Note 5, the District restated fund balances as of January 1, 2003, to properly present the portion of fund balance related to capital project activity in a Capital Projects Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2005, 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 testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board (GASB) requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

August 29, 2005

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
UNAUDITED**

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

Highlights

Key highlights for 2004 were as follows:

Net assets of governmental activities increased \$30,246 or 43 percent, a significant change from the prior year. The increase was due to reimbursements from the U.S. Department of Agriculture (USDA) for a mapping project performed and paid for in 2003 for the Upper Hocking R-23 Project.

The District's general receipts are special assessments and interest. These receipts represent respectively 11 percent and less than one percent of the total cash received for governmental activities during the year. Assessments and interest receipts in 2004 decreased compared to 2003 as assessment collections by the County were less than expected and due to lower fund balances compared with 2003.

The District was the recipient of a pilot project rehabilitation grant from the USDA during the year. Grant revenues were used to upgrade a dam.

Key highlights for 2003 were as follows:

Net assets of governmental activities decreased \$220,737 or 76 percent, a significant change from the prior year. The decrease was due to remitting the District's share of the costs to the U.S. Department of Agriculture for the Upper Hocking #8 Dam project.

The District's general receipts are special assessments and interest. These receipts represent respectively 96 percent and 4 percent of the total cash received for governmental activities during the year. Special assessment receipts increased in 2003 while interest receipts decreased compared to 2002. Assessments increased due to delinquency collections. The decrease to interest in 2003 was due to lower interest rates on certificates of deposit.

Using the Basic Financial Statements

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

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present the District's two funds in separate columns.

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

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
UNAUDITED
(Continued)**

Basis of Accounting

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

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

Reporting the District as a Whole

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

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

The statement of net assets and the statement of activities present governmental activities, which includes all the District's services. State and federal grants and special assessments finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them. The District has no business-type activities.

Reporting the District's Funds

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

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
UNAUDITED
(Continued)**

Governmental Funds - The District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The District has only two funds which are both presented as majors. The District has no nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting). Because the District reports on a modified cash basis, the total of the governmental funds matches governmental activities and no reconciliation is required.

The District as a Whole

Table 1 provides a summary of the District's net assets for 2004 compared to 2003 and 2002 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2004	2003	2002
Assets			
Cash and Cash Equivalents	\$ 100,156	\$ 69,610	\$ 290,647
Total Assets	100,156	69,610	290,647
Net Assets			
Restricted for:			
Capital Outlay	-	-	78,966
Unrestricted	100,156	69,610	211,681
Total Net Assets	\$ 100,156	\$ 69,610	\$ 290,647

As mentioned previously, net assets of governmental activities increased \$30,246 or 43 percent during 2004. The primary reason for the increase in cash balances was due to reimbursements from the U.S. Department of Agriculture for a mapping project performed and paid for in 2003 for the Upper Hocking R-23 Project.

As also mentioned previously, net assets of governmental activities decreased \$220,737 or 76 percent during 2003. The primary reasons for the decrease in cash balances were due to remitting the District's share of the costs to the U.S. Department of Agriculture for the Upper Hocking #8 Dam project.

Table 2 reflects the changes in net assets in 2004 and 2003. Since the District did not prepare financial statements in this format for 2002, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
UNAUDITED
(Continued)**

(Table 2)

Changes in Net Assets

	Governmental Activities	
	2004	2003
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$0	\$0
Capital Grants and Contributions	335,417	0
Total Program Receipts	335,417	0
General Receipts:		
Assessments Collected	39,092	40,044
Interest	510	1,802
Total General Receipts	39,602	41,846
Total Receipts	375,019	41,846
Disbursements:		
Payroll	3,191	5,473
Benefits	1,812	2,644
Supplies	1,256	905
Accounting, Legal Fees, and Insurance	20,406	50,409
Equipment	317	1,617
Contracts and Improvements	317,791	201,535
Total Disbursements	344,773	262,583
Increase (Decrease) in Net Assets	30,246	(220,737)
Net Assets, January 1, 2004	69,910	290,647
Net Assets, December 31, 2004	\$100,156	\$69,910

In 2004, program receipts represented 89 percent of total receipts due to restricted intergovernmental receipts for the Dam Rehabilitation Project. The District had no program receipts in 2003.

General receipts represented 11 percent of the District's total receipts in 2004 and 100 percent of the District's receipts in 2003. Assessments made up over 95 percent of general receipts in both years. Interest receipts make up the balance of the District's general receipts.

Accounting, Legal Fees, and Insurance and Contracts Improvement are the main services of the District and represented over 96% of disbursements in both 2004 and 2003. These disbursements are for payroll processing services, legal services, insurance, and for the R-8 and R-23 rehabilitation projects.

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
UNAUDITED
(Continued)**

Governmental Activities

If you look at the Statement of Activities for 2004 on page 10 and for 2003 on page 16, you will see that the first column lists the major disbursements of the District. The next column identifies the amount of these disbursements. The major program disbursements for governmental activities are for Accounting, Legal Fees, and Insurance and for Contracts and Improvements, which accounted for over 96 percent of all disbursements in both 2004 and 2003. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by assessments. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004	Total Cost Of Services 2003	Net Cost of Services 2003
Payroll	\$3,191	\$3,191	\$5,473	\$5,473
Benefits	1,812	1,812	2,644	2,644
Supplies	1,256	1,256	905	905
Accounting, Legal Fees, and Insurance	20,406	155	50,409	50,409
Equipment	317	317	1,617	1,617
Contracts and Improvements	317,791	2,625	201,535	201,535
Total Expenses	\$344,773	\$9,356	\$262,583	\$262,583

In 2004, over 97% of disbursements were supported by program receipts. The dependence upon general receipts is more apparent in 2003 when 100% percent of disbursements were supported through these general receipts.

The District's Funds

In 2004, total governmental funds had receipts of \$375,019 and disbursements of \$344,773. The fund balance of the General Fund increased \$30,246 as the result of decreased costs for payroll, benefits and equipment and also due to advances repaid by the Dam Rehabilitation Fund. The fund balance of the Dam Rehabilitation Fund remained \$0 as a result of grant reimbursements received and advances repaid to the General Fund.

In 2003, total governmental funds had receipts of \$41,846 and disbursements of \$262,583. The fund balance of the General fund decreased \$141,771 as a result of transfers out to the Dam Rehabilitation Fund for contract disbursements. The balance of the Dam Rehabilitation decreased \$78,966 as a result of increased contract disbursements offset by transfers and advances from the General Fund.

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law which requires the District estimate receipts, approve appropriations, and encumber funds. The most significant budgeted fund is the General Fund.

During 2004, the District amended its General Fund appropriations one time to reflect changing circumstances. Actual receipts were above final budgeted receipts due to higher assessment collections and interest earnings. Final disbursements for 2004 were budgeted at \$77,500 while actual disbursements were \$31,006. Appropriations were increased for additional legal fees and transfers out and reduced for contracts and improvements. The District kept spending under budgeted amounts for all functions.

During 2003, the District did not amend appropriations. The District did not begin budgeting receipts until 2004. Final disbursements for 2003 were budgeted at \$201,650 while actual disbursements were \$183,617. The District kept spending under budgeted amounts for most functions.

Capital Assets and Debt Administration

Capital Assets

The District does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2004, the District had no outstanding debt.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Smith, Secretary-Treasurer, Hunter's Run Conservancy District, 211 Williamsburg Lane NW, Lancaster, Ohio 43130.

HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY

Statement of Net Assets - Modified Cash Basis
December 31, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$100,156</u>
<i>Total Assets</i>	<u><u>\$100,156</u></u>
Net Assets	
Unrestricted	<u>100,156</u>
<i>Total Net Assets</i>	<u><u>\$100,156</u></u>

See accompanying notes to the basic financial statements

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

***Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004***

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Payroll	\$3,191			(\$3,191)
Benefits	1,812			(1,812)
Supplies	1,256			(1,256)
Accounting, Legal Fees, and Insurance	20,406		20,251	(155)
Equipment	317			(317)
Contracts and Improvements	317,791		315,166	(2,625)
<i>Total Governmental Activities</i>	<u>344,773</u>	<u>0</u>	<u>335,417</u>	<u>(9,356)</u>
		General Receipts		
		Assessments Collected		39,092
		Interest		510
		<i>Total General Receipts</i>		39,602
		Change in Net Assets		30,246
		<i>Net Assets Beginning of Year</i>		69,910
		<i>Net Assets End of Year</i>		<u>\$100,156</u>

See accompanying notes to the basic financial statements

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

***Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004***

	General	Dam Rehabilitation Fund	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$100,156	\$0	\$100,156
<i>Total Assets</i>	<u>\$100,156</u>	<u>\$0</u>	<u>\$100,156</u>
Fund Balances			
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	100,156		100,156
Capital Projects Funds		0	0
<i>Total Fund Balances</i>	<u>\$100,156</u>	<u>\$0</u>	<u>\$100,156</u>

See accompanying notes to the basic financial statements

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

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

	General	Dam Rehabilitation Fund	Total Governmental Funds
Receipts			
Assessments Collected	\$39,092	\$0	\$39,092
Intergovernmental	0	335,417	335,417
Interest	510	0	510
<i>Total Receipts</i>	<u>39,602</u>	<u>335,417</u>	<u>375,019</u>
Disbursements			
Payroll	3,191	0	3,191
Benefits	1,812	0	1,812
Supplies	1,256	0	1,256
Accounting, Legal Fees, and Insurance	12,050	8,356	20,406
Equipment	317	0	317
Contracts and Improvements	2,699	315,092	317,791
<i>Total Disbursements</i>	<u>21,325</u>	<u>323,448</u>	<u>344,773</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>18,277</u>	<u>11,969</u>	<u>30,246</u>
Other Financing Sources (Uses)			
Transfers In	0	9,681	9,681
Transfers Out	(9,681)	0	(9,681)
Advances In	21,650	0	21,650
Advances Out	0	(21,650)	(21,650)
<i>Total Other Financing Sources (Uses)</i>	<u>11,969</u>	<u>(11,969)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	30,246	0	30,246
<i>Fund Balances Beginning of Year</i>	<u>69,910</u>	<u>0</u>	<u>69,910</u>
<i>Fund Balances End of Year</i>	<u><u>\$100,156</u></u>	<u><u>\$0</u></u>	<u><u>\$100,156</u></u>

See accompanying notes to the basic financial statements

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Assessments Collected	\$40,000	\$35,000	\$39,092	\$4,092
Interest	0	0	510	510
<i>Total receipts</i>	<u>40,000</u>	<u>35,000</u>	<u>39,602</u>	<u>4,602</u>
Disbursements				
Payroll	6,400	6,400	\$3,191	3,209
Benefits	3,600	3,600	1,812	1,788
Supplies	5,000	5,000	1,256	3,744
Accounting, Legal Fees, and Insurance	10,000	12,500	12,050	450
Equipment	5,000	5,000	317	4,683
Contracts and Improvements	45,000	35,000	2,699	32,301
<i>Total Disbursements</i>	<u>75,000</u>	<u>67,500</u>	<u>21,325</u>	<u>46,175</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(35,000)</u>	<u>(32,500)</u>	<u>18,277</u>	<u>50,777</u>
Other Financing Sources (Uses)				
Transfers Out	0	(10,000)	(9,681)	319
Advances In	21,650	21,650	21,650	0
<i>Total Other Financing Sources (Uses)</i>	<u>21,650</u>	<u>11,650</u>	<u>11,969</u>	<u>319</u>
<i>Net Change in Fund Balance</i>	<u>(13,350)</u>	<u>(20,850)</u>	<u>30,246</u>	<u>51,096</u>
<i>Fund Balance Beginning of Year</i>	<u>69,910</u>	<u>69,910</u>	<u>69,910</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$56,560</u></u>	<u><u>\$49,060</u></u>	<u><u>\$100,156</u></u>	<u><u>\$51,096</u></u>

See accompanying notes to the basic financial statements

HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY

Statement of Net Assets - Modified Cash Basis
December 31, 2003

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$69,910</u>
<i>Total Assets</i>	<u><u>\$69,910</u></u>
Net Assets	
Unrestricted	<u>69,910</u>
<i>Total Net Assets</i>	<u><u>\$69,910</u></u>

See accompanying notes to the basic financial statements

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2003**

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Capital Grants and Contributions
			Governmental Activities
Governmental Activities			
Payroll	\$5,473		(\$5,473)
Benefits	2,644		(2,644)
Supplies	905		(905)
Accounting, Legal Fees, and Insurance	50,409		(50,409)
Equipment	1,617		(1,617)
Contracts and Improvements	201,535		(201,535)
<i>Total Governmental Activities</i>	<u>262,583</u>	<u>0</u>	<u>0</u>
		General Receipts	
		Assessments Collected	40,044
		Interest	1,802
		<i>Total General Receipts</i>	<u>41,846</u>
		Change in Net Assets	(220,737)
		<i>Net Assets Beginning of Year</i>	<u>290,647</u>
		<i>Net Assets End of Year</i>	<u><u>\$69,910</u></u>

See accompanying notes to the basic financial statements

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

***Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2003***

	General	Dam Rehabilitation Fund	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$69,910	\$0	\$69,910
<i>Total Assets</i>	<i>\$69,910</i>	<i>\$0</i>	<i>\$69,910</i>
Fund Balances			
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	69,910		69,910
Capital Projects Funds		0	0
<i>Total Fund Balances</i>	<i>\$69,910</i>	<i>\$0</i>	<i>\$69,910</i>

See accompanying notes to the basic financial statements

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

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

	General	Dam Rehabilitation Fund	Total Governmental Funds
Receipts			
Assessments Collected	\$40,044	\$0	\$40,044
Interest	1,802	0	1,802
<i>Total Receipts</i>	<u>41,846</u>	<u>0</u>	<u>41,846</u>
Disbursements			
Payroll	5,473	0	5,473
Benefits	2,644	0	2,644
Supplies	905	0	905
Accounting, Legal Fees, and Insurance	8,745	41,664	50,409
Equipment	1,617	0	1,617
Contracts and Improvements	3,115	198,420	201,535
<i>Total Disbursements</i>	<u>22,499</u>	<u>240,084</u>	<u>262,583</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>19,347</u>	<u>(240,084)</u>	<u>(220,737)</u>
Other Financing Sources (Uses)			
Transfers In	0	139,468	139,468
Transfers Out	(139,468)	0	(139,468)
Advances In	0	21,650	21,650
Advances Out	(21,650)	0	(21,650)
<i>Total Other Financing Sources (Uses)</i>	<u>(161,118)</u>	<u>161,118</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(141,771)</u>	<u>(78,966)</u>	<u>(220,737)</u>
<i>Fund Balances Beginning of Year, As restated (See note 5)</i>	<u>211,681</u>	<u>78,966</u>	<u>290,647</u>
<i>Fund Balances End of Year</i>	<u><u>\$69,910</u></u>	<u><u>\$0</u></u>	<u><u>\$69,910</u></u>

See accompanying notes to the basic financial statements

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Assessments Collected	\$0	\$0	\$40,044	\$40,044
Interest	0	0	1,802	1,802
<i>Total receipts</i>	<u>0</u>	<u>0</u>	<u>41,846</u>	<u>41,846</u>
Disbursements				
Payroll	6,700	6,700	5,473	1,227
Benefits	3,300	3,300	2,644	656
Supplies	4,000	4,000	905	3,095
Accounting, Legal Fees, and Insurance	10,000	10,000	8,745	1,255
Equipment	1,000	1,000	1,617	(617)
Contracts and Improvements	15,000	15,000	3,115	11,885
<i>Total Disbursements</i>	<u>40,000</u>	<u>40,000</u>	<u>22,499</u>	<u>17,501</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(40,000)</u>	<u>(40,000)</u>	<u>19,347</u>	<u>59,347</u>
Other Financing Sources (Uses)				
Transfers Out	(140,000)	(140,000)	(139,468)	532
Advances Out	(21,650)	(21,650)	(21,650)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(161,650)</u>	<u>(161,650)</u>	<u>(161,118)</u>	<u>532</u>
<i>Net Change in Fund Balance</i>	<u>(201,650)</u>	<u>(201,650)</u>	<u>(141,771)</u>	<u>59,879</u>
<i>Fund Balance Beginning of Year, As Restated (See Note 3)</i>	<u>211,681</u>	<u>211,681</u>	<u>211,681</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$10,031</u></u>	<u><u>\$10,031</u></u>	<u><u>\$69,910</u></u>	<u><u>\$59,879</u></u>

See accompanying notes to the basic financial statements

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

1. REPORTING ENTITY

The Hunter's Run Conservancy District, Fairfield County, Ohio (the District), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a three-member Board of Directors appointed by the Court of Common Pleas. The District provides conservation and flood control to the City of Lancaster.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

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

Governmental activities generally are financed through assessments, intergovernmental revenues or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the District at year end. The statement of activities compares disbursements with program receipts for each of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the District's general receipts.

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The District uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the District are all governmental.

Governmental Funds

The District classifies funds financed primarily from assessments, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major governmental funds are the General Fund and Dam Rehabilitation Project Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in the Dam Rehabilitation Project 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. The Dam Rehabilitation Project Fund accounts for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the budget and appropriations, all of which are prepared on the budgetary basis of accounting. The budget demonstrates a need for existing or increased tax rates.

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

Appropriations are the Board of Directors authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Board of Directors. The legal level of control has been established at the fund and function level for all funds.

Appropriations are subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Directors during the year.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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

During 2004 and 2003, the District invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposits are reported at cost.

Interest earnings are allocated to District's funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2004 was \$510 and during 2003 was \$1,802.

F. Capital Assets

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

G. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Districts net assets are not restricted as to use.

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fund Balance Reserves

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have not been established by the District.

J. Interfund Transactions

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

3. COMPLIANCE

A. Certification of Funds

The District did not properly certify the availability of funds in 2004 or 2003 as required by Ohio Revised Code Section 5705.41(D).

B. Appropriations in excess of amounts available for expenditure

In 2004, contrary to Ohio Revised Code Section 5705.39, the District appropriated \$332,400 in the Dam Rehabilitation Fund which had only \$200,000 of estimated resources.

4. CHANGE IN ACCOUNTING PRINCIPLE

For the years ended December 31, 2004, and December 31, 2003, the District revised its statement presentation comparable to the requirements of Government Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

5. CHANGE IN FUND BALANCE

In the prior year, funds received for rehabilitation projects were improperly reported in the General Fund. This activity should have been reported in a Capital Projects Fund.

The restatement had the following effect on the cash fund balance on January 1, 2003:

	General Fund	Dam Rehabilitation Fund
Cash fund balance as of December 31, 2002, as previously reported	\$290,647	\$0
Restatement to properly report capital project activity	(78,966)	78,966
Restated cash fund balance as of January 1, 2003	\$211,681	\$78,966

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Continued)**

6. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. For the District, there were no differences between the budget basis and the modified cash basis.

7. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Directors has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Continued)**

7. DEPOSITS AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio).

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the District or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At December 31, 2004, the carrying amount of the District's deposits was \$100,156 and the bank balance was \$101,099. Of the bank balance \$100,000 was covered by federal depository insurance and \$1,099 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

At December 31, 2003, the carrying amount of the District's deposits was \$69,910 and the bank balance was \$71,187. The entire bank balance was covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the District's name. The District had no investments as of December 31, 2004, or December 31, 2003.

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Continued)**

8. ASSESSMENTS

The District's General Fund is funded through assessments. Assessments are collected on the basis of benefit to the property owner.

The County is responsible for assessing property, and for billing, collecting, and distributing all assessment collected on behalf of the District.

9. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions.

10. DEFINED BENEFIT PENSION PLANS

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 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The District's contribution rate for pension benefits for 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the traditional plan for the years ended December 31, 2004, 2003, and 2002 were \$909, \$1,594, and \$1,398 respectively. The full amount has been contributed for 2004, 2003 and 2002.

**HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Continued)**

11. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement 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. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial 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 8.00 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 .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 percent 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 annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$268. The actual contribution and the actuarially required contribution amounts are the same. OPERS'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 (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

12. INTERFUND TRANSFERS

The District transferred \$9,681 and \$139,468 in 2004 and 2003, respectively, from the General Fund to the Dam Rehabilitation Project Fund. The transfers represent the allocation of unrestricted revenues collected in the General Fund to finance various programs accounted for in the Capital Projects fund.

13. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

At December 31, 2004, the District had one contractual commitment for the rehabilitation of the Upper Hocking #23 dam. The bid for this project was awarded to Mid States, Inc. at a cost of \$297,763 and subsequently amended to \$325,000. The amount paid on the project through December 31, 2004 totaled \$301,267, with an amount remaining of \$23,733.



Auditor of State Betty Montgomery

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

Hunter's Run Conservancy District
Fairfield County
P.O. Box 2268
Lancaster, Ohio 43130-5268

To the Board of Directors:

We have audited the financial statements of the governmental activities and each major fund of Hunter's Run Conservancy District, Fairfield County, Ohio (the District) as of and for the years ended December 31, 2004 and December 31, 2003, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 29, 2005, wherein we noted the District revised its financial statement presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and restated fund balances as of January 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated August 29, 2005, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the District's management dated August 29, 2005, we reported other matters related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of management and the Board of Directors. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 29, 2005

HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2004-001

NONCOMPLIANCE CITATIONS

Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the District.

2. **Blanket Certificate** - Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. (Subsequent to September 26, 2003, blanket certificates are permitted only if the District has approved their use and subject to the maximum amount approved by the District. These certificates are no longer limited to three months.)
3. **Super Blanket Certificate** - The District may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

The District did not certify the availability of funds prior to the purchase commitment for twenty-eight percent of expenditures tested in 2004 and 2003. For these items, the District also did not prepare blanket certificates, super blanket certificates or then and now certificates in accordance with the section. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

HUNTER'S RUN CONSERVANCY DISTRICT
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Continued)

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2004-001 (Continued)

NONCOMPLIANCE CITATIONS (Continued)

3. Super Blanket Certificate (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend the Secretary/Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2004-002

Ohio Rev. Code Section 5705.36(A)(2) allows the District to request increased amended certificates of estimated resources and reduce amended certifications upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. According to Ohio Rev. Code Section 5705.36(A)(3), an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Additionally, Ohio Rev. Code Section 5705.39 states in part that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified from the budget commission, or in case of appeal, by the board of tax appeals.

The Dam Rehabilitation Project fund appropriations of \$332,400 exceeded the estimated revenue available for expenditure at December 31, 2004 of \$200,000 by \$132,400.

The Secretary/Treasurer and Directors should compare appropriations from each fund with total estimated revenues when appropriation resolutions are passed.



**Auditor of State
Betty Montgomery**

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HUNTERS RUN CONSERVANCY DISTRICT

FAIRFIELD 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
OCTOBER 18, 2005**