



**Auditor of State
Betty Montgomery**

UPPER SCIOTO DRAINAGE & CONSERVANCY
HARDIN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Upper Scioto Drainage and Conservancy District
Hardin County
One Courthouse Square
Suite 180
Kenton, Ohio 43326

To the Board of Directors:

We have audited the accompanying financial statements of the Upper Scioto Drainage and Conservancy District, Hardin County (the "District"), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

June 20, 2003

**UPPER SCIOTO DRAINAGE & CONSERVANCY DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Assessments	\$58,494	\$18,230	\$76,724
Interest	674	549	1,223
Miscellaneous	135		135
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	59,303	18,779	78,082
Cash Disbursements:			
Secretary & Office Asst.	15,695		15,695
Directors	4,911		4,911
Attorney	1,452		1,452
PERS, Employer contribution	2,618		2,618
Real Estate Tax	100		100
Office Exp. & Equip.	985		985
Legal & Court Costs	103		103
Insurance, Bonds, Medicare, Workers Comp.	584		584
Treasurer's Fees	731	236	967
Maintenance	1,436	14,101	15,537
Hardin Soil & Water Cons. Dist.	6,750	750	7,500
Repay Bond Funds Borrowed	33,166		33,166
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	68,531	15,087	83,618
Total Receipts Over/(Under) Disbursements	(9,228)	3,692	(5,536)
Fund Cash Balances, January 1	<u>68,464</u>	<u>70,693</u>	<u>139,157</u>
Fund Cash Balances, December 31	<u>\$59,236</u>	<u>\$74,385</u>	<u>133,621</u>
Reserve for Encumbrances, December 31	<u>\$2,000</u>	<u>\$0</u>	<u>2,000</u>

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

**UPPER SCIOTO DRAINAGE & CONSERVANCY DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Assessments	\$58,983	\$18,048	\$77,031
Interest	5,308	1,505	6,813
Miscellaneous	470		470
Total Cash Receipts	<u>64,761</u>	<u>19,553</u>	<u>84,314</u>
Cash Disbursements:			
Secretary & Office Asst.	15,556		15,556
Directors	6,185		6,185
Attorney	1,560		1,560
PERS, Employer contribution	2,941		2,941
Real Estate Tax	89		89
Office Exp. & Equip.	1,539		1,539
Legal & Court Costs	23,147		23,147
Insurance, Bonds, Medicare, Workers Comp.	839		839
Treasurer's Fees	746	227	973
Maintenance	46,832	4,100	50,932
Hardin Soil & Water Cons. Dist.	6,751	750	7,501
Audit Fees	1,594	177	1,771
Bond Funds, Oxbow Poject	130,000		130,000
Emergency & Savings, Oxbow Project	<u>36,129</u>		<u>36,129</u>
Total Cash Disbursements	<u>273,908</u>	<u>5,254</u>	<u>279,162</u>
Total Receipts Over/(Under) Disbursements	(209,147)	14,299	(194,848)
Other Financing Sources			
Bond Proceeds	<u>130,000</u>		<u>130,000</u>
Total Receipts and Other Sources Over/(Under) Disbursements	(79,147)	14,299	(64,848)
Fund Cash Balances, January 1 (restated see note 2)	<u>147,611</u>	<u>56,394</u>	<u>204,005</u>
Fund Cash Balances, December 31	<u><u>\$68,464</u></u>	<u><u>\$70,693</u></u>	<u><u>139,157</u></u>
Reserve for Encumbrances, December 31	<u><u>\$3,400</u></u>	<u><u>\$21,100</u></u>	<u><u>24,500</u></u>

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

**UPPER SCIOTO DRAINAGE AND CONSERVANCY DISTRICT
HARDIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Upper Scioto Drainage and Conservancy District, Hardin County, (the "District"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a three-member Board of Directors appointed by the Judge of the Hardin County Court of Common Pleas. The District provides services in the form of conservation and flood control.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

C. Cash and Investments

The District maintains checking and money market accounts.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law to be accounted for in another fund.

2. Special Revenue Funds

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

Cottonwood District Fund – This fund receives assessments that restricted for use in a specific area of the District.

Sub District Fund - This fund receives assessments that restricted for use in a specific area of the District.

**UPPER SCIOTO DRAINAGE AND CONSERVANCY DISTRICT
HARDIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control, and appropriations may not exceed estimated resources. The Board of Directors must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 4.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

2. RESTATEMENT OF BEGINNING FUND BALANCE

In the prior year, all funds of the District were presented as one fund. However, there are two separate assessment funds, Cottonwood District and Sub District, whose use is restricted to specific areas of the District. Therefore, these funds are presented as Special Revenue Funds in this report. This presentation agrees with the District's accounting records. This restatement had the following effect on Fund Balances at December 31, 2000:

FUND TYPE	General	Special Revenue
Fund Balances as Reported at December 31, 2000	\$204,005	\$0
Restated Fund Balances at December 31, 2000	147,611	56,394
Effect on Fund Balances at December 31, 2000	(56,394)	56,394

**UPPER SCIOTO DRAINAGE AND CONSERVANCY DISTRICT
HARDIN COUNTY**

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

2. RESTATEMENT OF BEGINNING FUND BALANCE (Continued)

This restatement had the following effect on cash Receipts Over Expenditures at December 31, 2000.

FUND TYPE	General	Special Revenue
Total Cash Receipts Over/(Under) Expenditures at December 31, 2000	39,817	0
Restated Cash Receipts Over/(Under) Expenditures at December 31, 2000	23,061	16,756
Effect on Total Cash Receipts Over/(Under) Expenditures at December 31, 2000	(16,756)	16,756

3. CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$98,753	\$84,711
Money Market Account	34,868	54,446
Total deposits	<u>\$133,621</u>	<u>\$139,157</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

4. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,800	\$59,303	\$503
Special Revenue	18,048	18,779	731
Total	<u>\$76,848</u>	<u>\$78,082</u>	<u>\$1,234</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$127,269	\$70,531	\$56,738
Special Revenue	88,743	15,087	73,656
Total	<u>\$216,012</u>	<u>\$85,618</u>	<u>\$130,394</u>

**UPPER SCIOTO DRAINAGE AND CONSERVANCY DISTRICT
HARDIN COUNTY**

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

4. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,693	\$194,761	\$136,068
Special Revenue	148,022	19,553	(128,469)
Total	\$206,715	\$214,314	\$7,599

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$336,305	\$277,308	\$58,997
Special Revenue	74,417	26,354	48,063
Total	\$410,722	\$303,662	\$107,060

5. PROPERTY ASSESSMENTS

Property assessments are levied on the basis of benefit to the property owner. The District may readjust or reappraise benefit to property owners through procedures outlined by the Ohio Revised Code. The District's last appraisal was in 1998.

The County is responsible for assessing property ad for bill, collecting and distributing all assessments on behalf of the District

6. DEBT

Debt outstanding at December 31, 2002:

	Principal	Interest Rate
Bonds	\$108,536	4.69%

On July 22, 2001, the District issued \$130,000 of bonds for the purpose of maintaining, operating, preserving, strengthening, repairing and restoring properties and improvements, and in connection therewith, to straighten, widen, deepen or otherwise alter the course of the Scioto River by removal of an oxbow. Repayment of these bonds will be in semi-annual principal and interest payments due on January 23 and July 23, until maturity on July 23, 2006. The bonds are subject to redemption prior to maturity in whole, or in part in integral multiples of \$1,000, at any time at the option of the District.

**UPPER SCIOTO DRAINAGE AND CONSERVANCY DISTRICT
HARDIN COUNTY**

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

6. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>Bonds</u>
2003	\$33,166
2004	33,166
2005	33,166
2006	33,166
Total	<u><u>\$132,664</u></u>

The District did not establish a Project Fund to deposit the proceeds of this bond issuance and to record the related expenditures as required by the debt agreement. In addition, the District did not establish a Bond Fund as required by the debt agreement.

7. RETIREMENT SYSTEMS

The District's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer pension plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries during the period January 1, 2001 through June 30, 2002. The District has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

The District is covered under the Hardin County policy for the following risks:

- Comprehensive property and general liability

The District has elected to not cover the office equipment which is in the Courthouse.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Upper Scioto Drainage and Conservancy District
Hardin County
One Courthouse Square, Suite 180
Kenton, Ohio 43326

To the Board of Directors:

We have audited the financial statements of Upper Scioto Drainage & Conservancy District, Hardin County (the "District"), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated June 20, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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

Betty Montgomery
Auditor of State

June 20, 2003

UPPER SCIOTO DRAINAGE AND CONSERVANCY DISTRICT
HARDIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-001

The Upper Scioto Drainage and Conservancy District, Conservancy Bonds Series 2001, dated July 22, 2001 debt agreement, required all sale proceeds to be deposited immediately upon receipt in the Project Fund established under the Authorizing Legislation, to be used to pay the cost of the Project, including issuance expenses. In addition, a bond fund was required to be established to pay the principal and interest on the bonds.

The District did not establish the funds required by this debt agreement. The District recorded the proceeds of the bonds and made the subsequent expenditures from the General Fund. The District paid the principal and interest on the bonds from the General Fund.

Since the project has been completed the requirement for the project fund has expired. However, the District should immediately establish a bond fund to accumulate money for future principal and interest payments. In addition, the District should review the debt agreement for these bonds to help identify any additional requirements.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

UPPER SCIOTO DRAINAGE AND CONSERVANCY DISTRICT

HARDIN 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
JULY 17, 2003**