



**Auditor of State
Betty Montgomery**

**RUSHCREEK CONSERVANCY DISTRICT
PERRY COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Rushcreek Conservancy District
Perry County
134 North Mulberry Street
Bremen, Ohio 43107

To the Board of Directors:

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 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.

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

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

Betty Montgomery
Auditor of State

March 20, 2003

**RUSHCREEK CONSERVANCY DISTRICT
PERRY 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>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Sale of Water	\$ 20,000	\$	\$ 20,000
Building Rental	8,525		8,525
Interest	4,460	2,251	6,711
State and Federal Monies		190,750	190,750
Sale of Oil and Gas	1,466		1,466
Conservation Reserve Program	15,578		15,578
Land Lease Crop/Other	2,070		2,070
Sale of Timber	9,801		9,801
Property Tax Assessments		34,119	34,119
Other	777		777
	<u>62,677</u>	<u>227,120</u>	<u>289,797</u>
Total Cash Receipts			
Cash Disbursements:			
Payroll	14,719	30,163	44,882
Administration Expense and Supplies	2,921	4,876	7,797
Attorney Fees	23,961		23,961
Appraiser and Judge Fee	717		717
Director and Secretary Expense	2,703	1,217	3,920
Real Estate Taxes	2,001		2,001
Utilities	3,255		3,255
Insurance	2,955		2,955
Payroll Taxes	222	437	659
Workers' Compensation	37	79	116
Public Employees Retirement	1,994	4,087	6,081
Maintenance and Repair	9,459	14,815	24,274
Mortgage Payment	5,400		5,400
Advertising	18		18
Other		255	255
Land Purchase		240,775	240,775
Relocation		23,339	23,339
Easements		2,515	2,515
Capital Outlay		2,108	2,108
	<u>70,362</u>	<u>324,666</u>	<u>395,028</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(7,685)</u>	<u>(97,546)</u>	<u>(105,231)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	10,000	25,000	35,000
Transfers-Out	<u>(25,000)</u>	<u>(10,000)</u>	<u>(35,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>(15,000)</u>	<u>15,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(22,685)	(82,546)	(105,231)
Fund Cash Balances, January 1	<u>107,157</u>	<u>195,207</u>	<u>302,364</u>
Fund Cash Balances, December 31	<u>\$ 84,472</u>	<u>\$ 112,661</u>	<u>\$ 197,133</u>

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

**RUSHCREEK CONSERVANCY DISTRICT
PERRY 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>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Sale of Water	\$ 23,863	\$	\$ 23,863
Building Rental	7,700		7,700
Interest	3,185	423	3,608
State of Ohio		184,687	184,687
Sale of Oil and Gas	2,437		2,437
Conservation Reserve Program	15,034		15,034
Land Lease Crop/Other	2,692		2,692
Sale of Timber	21,200		21,200
Property Tax Assessments		34,524	34,524
Other	211	2,034	2,245
	<u>76,322</u>	<u>221,668</u>	<u>297,990</u>
Total Cash Receipts			
	<u>76,322</u>	<u>221,668</u>	<u>297,990</u>
Cash Disbursements:			
Payroll	12,162	25,742	37,904
Administration Expense and Supplies	1,578	4,543	6,121
Attorney Fees	13,241		13,241
Director and Secretary Expense	2,785	1,209	3,994
Real Estate Taxes	1,404		1,404
Utilities	2,790		2,790
Insurance	2,705		2,705
Payroll Taxes	176	373	549
Workers' Compensation	132	288	420
Public Employees Retirement	1,602	3,366	4,968
Maintenance and Repair	1,599	7,258	8,857
Mortgage Payment	5,400		5,400
Advertising	14		14
Audit	1,754	1,754	3,508
Other		75	75
Capital Outlay	10	43,166	43,176
	<u>47,352</u>	<u>87,774</u>	<u>135,126</u>
Total Cash Disbursements			
	<u>47,352</u>	<u>87,774</u>	<u>135,126</u>
Total Cash Receipts Over/(Under) Cash Disbursements	28,970	133,894	162,864
Fund Cash Balances, January 1	<u>78,187</u>	<u>61,313</u>	<u>139,500</u>
Fund Cash Balances, December 31	<u>\$ 107,157</u>	<u>\$ 195,207</u>	<u>\$ 302,364</u>

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

**RUSHCREEK CONSERVANCY DISTRICT
PERRY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Rushcreek Conservancy District, Perry 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 was organized under the provisions of the Ohio Rev. Code Section 6101.04, in the manner and subject to the conditions provided by Ohio Rev. Code Sections 6101.01 to 6101.84, inclusive, for the purpose of watershed protection and flood prevention in the District, which covers parts of Fairfield, Hocking and Perry Counties.

The governing body for the District consists of a Board of Directors of three (3) members appointed by the Court of Common Pleas in accordance with Ohio Rev. Code Section 6101.10, to serve a term of five (5) years.

The District's management believes the 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

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

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

**RUSHCREEK CONSERVANCY DISTRICT
PERRY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Special Assessment General Maintenance Fund – This fund receives special assessment property tax money and interest to maintain District watershed protection and flood prevention sites.

VII-C Rehabilitation Fund – This fund receives state and federal monies for the purpose of acquiring all real property rights and interests needed for the rehabilitation of Structure VII-C.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The District did not properly encumber all commitments required by law.

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

F. Property, Plant and Equipment

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

**RUSHCREEK CONSERVANCY DISTRICT
PERRY COUNTY**

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

2. CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$ 116,341	\$ 192,364
Certificates of deposit	80,792	110,000
Total deposits	\$ 197,133	\$ 302,364

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

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 563,150	\$ 72,677	\$ (490,473)
Special Revenue	676,500	252,120	(424,380)
Total	\$ 1,239,650	\$ 324,797	\$ (914,853)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 584,615	\$ 95,362	\$ 489,253
Special Revenue	726,550	334,666	391,884
Total	\$ 1,311,165	\$ 430,028	\$ 881,137

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 554,050	\$ 76,322	\$ (477,728)
Special Revenue	35,500	221,668	186,168
Total	\$ 589,550	\$ 297,990	\$ (291,560)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 572,945	\$ 47,352	\$ 525,593
Special Revenue	105,710	87,774	17,936
Total	\$ 678,655	\$ 135,126	\$ 543,529

**RUSHCREEK CONSERVANCY DISTRICT
PERRY COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Budgeted revenue exceeded actual revenue and appropriations were greater than actual revenue at both December 31, 2002 and 2001 in the General Fund, and at December 31, 2002 in the VII-C Rehabilitation Fund, contrary to Ohio law.

4. DEBT

Debt outstanding at December 31, 2002, was as follows:

	Principal	Interest Rate
Promissory Note	\$ 4,398	5.75%

The District entered into a promissory note with the First Bremen Bank on May 17, 1999, for \$21,050 for the purchase of an office building. This note is backed by the full faith and credit of the District.

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

Year ending December 31:	Promissory Note
2003	\$ 4,515

5. RETIREMENT SYSTEM

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

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

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Public Officials' liability; and
- Crime and employee dishonesty.

**RUSHCREEK CONSERVANCY DISTRICT
PERRY COUNTY**

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

7. PROPERTY TAX ASSESSMENT

Property assessment taxes become a lien on January 1 proceeding the October 1 date for which rates are accepted by Fairfield, Hocking and Perry Counties. Payments are due to the Counties by December 31. If the property owner elects to make semi-annual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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**Auditor of State
Betty Montgomery**

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

Rushcreek Conservancy District
Perry County
134 North Mulberry Street
Bremen, Ohio 43107

To the Board of Directors:

We have audited the accompanying financial statements of the Rushcreek Conservancy District, Perry County, Ohio (the District), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-31064-001 and 2002-31064-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 20, 2003.

Rushcreek Conservancy District
Perry County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

March 20, 2003

**RUSHCREEK CONSERVANCY DISTRICT
PERRY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-31064-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section provides two "exceptions" to the above requirement:

- ▶ "Then and Now" Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- ▶ Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority 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 expenditures by the taxing authority.

Of the expenditures tested, 95% in 2001 and 76% in 2002 did not have the prior certification of the fiscal officer, and neither of the exceptions noted above were met. This could result in the District spending more money than what is available.

We recommend the District obtain the prior certification of the fiscal officer before an obligation is incurred.

FINDING NUMBER 2002-31064-002

Noncompliance Citation

Ohio Rev. Code Section 5705.36 allows all subdivisions to request reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be less than the amount in the official certificate of estimated resources.

Budgeted revenue exceeded actual revenue and appropriations were greater than actual revenue plus unencumbered cash as of December 31, 2002, as follows:

**RUSHCREEK CONSERVANCY DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

**FINDING NUMBER 2002-31064-002
(Continued)**

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.36 (Continued)

Fund	Budgeted Resources	Actual Revenue Plus Unencumbered Cash	Appropriation Authority
General Fund	\$ 670,307	\$ 179,834	\$ 584,615
VII-C Rehabilitation Fund	\$ 827,110	\$ 378,111	\$ 656,000

Budgeted revenue exceeded actual revenue and appropriations were greater than actual revenue plus unencumbered cash as of December 31, 2001, as follows:

Fund	Budgeted Resources	Actual Revenue Plus Unencumbered Cash	Appropriation Authority
General Fund	\$ 632,237	\$ 154,509	\$ 572,945

We recommend the District monitor estimated and actual revenues for all funds on a regular basis. In the situation where budgeted revenue exceeds actual revenue and appropriations exceed actual revenue, the Directors should approve to reduce estimated revenue and appropriations should be adjusted accordingly.



**Auditor of State
Betty Montgomery**

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RUSHCREEK CONSERVANCY DISTRICT

PERRY 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
MAY 8, 2003**