



Mary Taylor, CPA
Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - For the Year Ended December 31, 2008	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - For the Year Ended December 31, 2007	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings	14

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

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

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 8, 2009

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Upper Scioto Drainage and Conservancy District
Hardin County
One Courthouse Square, Suite 180
Kenton, OH 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, 2008 and 2007. 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2008 and 2007 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Upper Scioto Drainage and Conservancy District, Hardin County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 8, 2009

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Special Assessments	\$71,742	\$3,426	\$75,168
Interest	1,824	2,131	3,955
Miscellaneous	50		50
Total Cash Receipts	<u>73,616</u>	<u>5,557</u>	<u>79,173</u>
Cash Disbursements:			
Secretary & Office Asst	9,761		9,761
Directors	4,869		4,869
Attorney	1,334		1,334
OPERS, Employer Contribution	1,700		1,700
Real Estate Tax	159		159
Office Exp & Equip	311		311
Legal & Court Costs	54		54
Insurance, Bonds, Medicare, Workers Comp	250		250
Maintenance	11,106	2,683	13,789
Hardin Soil & Water Conservation District	11,400	600	12,000
Repay Bond Funds Borrowed	24,890		24,890
Total Cash Disbursements	<u>65,834</u>	<u>3,283</u>	<u>69,117</u>
Total Cash Receipts Over/(Under) Cash Disbursements	7,782	2,274	10,056
Fund Cash Balances, January 1	<u>83,607</u>	<u>94,582</u>	<u>178,189</u>
Fund Cash Balances, December 31	<u>\$91,389</u>	<u>\$96,856</u>	<u>\$188,245</u>

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Special Assessments	\$68,136	\$10,017	\$78,153
Interest	4,325	3,956	8,281
Miscellaneous	1,298		1,298
Total Cash Receipts	<u>73,759</u>	<u>13,973</u>	<u>87,732</u>
Cash Disbursements:			
Secretary & Office Asst.	9,157		9,157
Directors	5,411		5,411
Appraisers	550		550
Attorney	1,969		1,969
OPERS, Employer Contribution	1,644		1,644
Real Estate Tax	105		105
Office Exp & Equip	136		136
Legal & Court Costs	345		345
Insurance, Bonds, Medicare, Workers Comp	300		300
Hardin Soil & Water Conservation District	11,400	600	12,000
Audit Fees	2,561		2,561
Maintenance	4,645	3,245	7,890
Repay Bond Funds Borrowed	25,753		25,753
Total Cash Disbursements	<u>63,976</u>	<u>3,845</u>	<u>67,821</u>
Total Cash Receipts Over/(Under) Cash Disbursements	9,783	10,128	19,911
Other Financing Receipts/(Disbursements):			
Transfers In		8,000	8,000
Transfers Out	(8,000)		(8,000)
Total Other Financing Receipts/(Disbursements)	<u>(8,000)</u>	<u>8,000</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,783	18,128	19,911
Fund Cash Balances, January 1	<u>81,824</u>	<u>76,454</u>	<u>158,278</u>
Fund Cash Balances, December 31	<u>\$83,607</u>	<u>\$94,582</u>	<u>\$178,189</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Upper Scioto Drainage and Conservancy District, Hardin County, (the District) as a body corporate and politic. 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 conservation and flood control.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

STAR Ohio accounts are recorded at share values reported by the mutual fund.

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 to be accounted for in another fund.

2. Special Revenue Fund

This fund is 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 Special Revenue Fund:

Cottonwood District Fund – This fund receives special assessments specifically for the portion of the Scioto River deemed the Cottonwood District.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund function or object 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 carried over, and need not be reappropriated.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 27,460	\$ 26,191
STAR Ohio	160,785	151,998
Total deposits and investments	<u>\$188,245</u>	<u>\$178,189</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the District.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,195	\$73,616	\$2,421
Special Revenue	3,320	5,557	2,237
Total	<u>\$74,515</u>	<u>\$79,173</u>	<u>\$4,658</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$154,879	\$65,834	\$ 89,045
Special Revenue	97,894	3,283	94,611
Total	<u>\$252,773</u>	<u>\$69,117</u>	<u>\$183,656</u>

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,896	\$73,759	\$ 6,863
Special Revenue	9,833	21,973	12,140
Total	<u>\$76,729</u>	<u>\$95,732</u>	<u>\$19,003</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$141,884	\$71,976	\$ 69,908
Special Revenue	86,650	3,845	82,805
Total	<u>\$228,534</u>	<u>\$75,821</u>	<u>\$152,713</u>

4. DEBT

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Bonds	\$68,000	3.70%

On January 20, 2006, the District issued \$110,000 bonds for the purpose of maintaining, operating, preserving, strengthening, repairing and restoring properties and improvements, including but not limited to maintaining repairing and restoring the Scioto River and contiguous property with respect to damage caused by ice storms. Repayment of these bonds will be in annual principal and semi-annual interest payments due on March 1st and September 1st of each year until maturity on March 1, 2011. The first interest payment was due on September 1, 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, 2008 AND 2007
(Continued)**

4. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>Bonds</u>
2009	24,551
2010	23,726
2011	<u>24,900</u>
Total	<u><u>\$73,177</u></u>

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the District contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2008.

6. 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.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 the Upper Scioto Drainage and Conservancy District, Hardin County, (the District) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated April 8, 2009, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe finding number 2008-001 is also a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Directors; we intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 8, 2009

UPPER SCIOTO DRAINAGE AND CONSERVANCY DISTRICT
HARDIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Material Weakness

Format and Activity Presented in the Annual Financial Statements

The annual financial statements of the District should be presented in a manner that is consistent with the presentation used by governmental entities. In addition, the financial statements should include all financial activity. The District's 2007 financial statements did not include the beginning fund balances in the amount of \$81,824 and \$76,454, receipts of \$73,759 and \$21,973, and ending fund balances in the amount of \$83,607 and \$94,582, for the General Fund and Special Revenue Fund Type, respectively. The District's 2008 financial statements did not include the beginning fund balances in the amount of \$83,607 and \$94,582, receipts of \$73,616 and \$5,557, and ending fund balances in the amount of \$91,389 and \$96,856, for the General Fund and Special Revenue Fund Type, respectively.

The accompanying financial statements have been adjusted to properly reflect the financial activity and balances of the District.

The failure to prepare financial statements that are consistent with the presentation used by governmental entities, that are accurate, classified correctly, and complete, not only inhibits the user's ability to fully understand the results of operations but may also result in material financial statement reporting errors.

The District should utilize governmental accounting resources such as those provided on the Auditor of State website when preparing annual financial statements. In addition, a review should be performed of the financial statements and supporting records to help assure they are accurate, properly classified, and complete.

Official's Response: We did not receive a response from Officials to this finding.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Format of Annual Financial Statements	No	Repeated at 2008-001
2006-002	Format of Bank to Book Reconciliations	Yes	
2006-003	Review of budget versus actual reports	Yes	
2006-004	Ohio Rev. Code Section 5705.09 and Audit of State Bulletin 98-013 – failure to establish a separate fund to account for a FEMA grant	Not applicable during 2008 and 2007	
2006-005	Ohio Rev. Code Section 117.38 – failure to file or to file timely annual financial statements with the Auditor of State. Failure to advertise the availability of the annual financial statements	Yes	



Mary Taylor, CPA
Auditor of State

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
MAY 21, 2009