



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

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

To the Board of Trustees:

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.

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Dave Yost
Auditor of State

April 26, 2011

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Dave Yost • 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, 2010 and 2009. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. 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, 2010 and 2009 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, 2010 and 2009, 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 the Upper Scioto Drainage and Conservancy District, Hardin County, as of December 31, 2010 and 2009, 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 26, 2011, 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 26, 2011

**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, 2010**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Special Assessments	\$71,432	\$196	\$71,628
Interest	1,092		1,092
Total Cash Receipts	<u>72,524</u>	<u>196</u>	<u>72,720</u>
Cash Disbursements:			
Secretary & Office Asst	11,511		11,511
Directors	5,137		5,137
Attorney	1,623		1,623
OPERS, Employer Contribution	1,754		1,754
Real Estate Tax	161		161
Office Exp & Equip	18		18
Legal & Court Costs	35		35
Insurance, Bonds, Medicare, Workers Comp	200		200
Maintenance	8,387	9,830	18,217
Hardin Soil & Water Conservation District	11,400	600	12,000
Debt Service:			
Principal	22,000		22,000
Interest	1,235		1,235
Total Cash Disbursements	<u>63,461</u>	<u>10,430</u>	<u>73,891</u>
Total Cash Receipts Over (Under) Cash Disbursements	9,063	(10,234)	(1,171)
Fund Cash Balances, January 1	<u>86,523</u>	<u>92,696</u>	<u>179,219</u>
Fund Cash Balances, December 31	<u>\$95,586</u>	<u>\$82,462</u>	<u>\$178,048</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, 2009**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Special Assessments	\$70,122	\$188	\$70,310
Interest	406		406
Total Cash Receipts	<u>70,528</u>	<u>188</u>	<u>70,716</u>
Cash Disbursements:			
Secretary & Office Asst	11,367		11,367
Directors	4,834		4,834
Attorney	1,612		1,612
OPERS, Employer Contribution	1,717		1,717
Real Estate Tax	159		159
Office Exp & Equip	6		6
Legal & Court Costs	35		35
Insurance, Bonds, Medicare, Workers Comp	250		250
Maintenance	17,186	3,748	20,934
Hardin Soil & Water Conservation District	11,400	600	12,000
Audit	2,698		2,698
Savings & Emergency	50		50
Debt Service:			
Principal	22,000		22,000
Interest	2,080		2,080
Total Cash Disbursements	<u>75,394</u>	<u>4,348</u>	<u>79,742</u>
Total Cash Receipts (Under) Cash Disbursements	(4,866)	(4,160)	(9,026)
Fund Cash Balances, January 1	<u>91,389</u>	<u>96,856</u>	<u>188,245</u>
Fund Cash Balances, December 31	<u>\$86,523</u>	<u>\$92,696</u>	<u>\$179,219</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, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Upper Scioto Drainage and Conservancy District, Hardin County, (the District) as a body corporate and politic. A three-member Board of Directors directs the District, 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 is recorded at the share value the mutual fund reports.

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.

E. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2010	2009
Demand deposits	\$ 47,023	\$ 42,034
Certificates of deposit	131,025	
Total deposits	178,048	42,034
STAR Ohio		137,185
Total deposits and investments	\$178,048	\$179,219

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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, 2010 AND 2009
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,303	\$72,524	\$1,221
Special Revenue Fund		196	196
Total	\$71,303	\$72,720	\$1,417

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$157,590	\$63,461	\$ 94,129
Special Revenue Fund	92,931	10,430	82,501
Total	\$250,521	\$73,891	\$176,630

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,279	\$70,528	(\$751)
Special Revenue Fund		188	188
Total	\$71,279	\$70,716	(\$563)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$162,668	\$75,394	\$ 87,274
Special Revenue Fund	96,856	4,348	92,508
Total	\$259,524	\$79,742	\$179,782

4. DEBT

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Bank Loan	\$24,000	3.7%

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.

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

Year ending December 31:	Bank Loan
2011	\$24,900

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. RETIREMENT SYSTEM

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 2010 and 2009, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2010.

6. RISK MANAGEMENT

Commercial Insurance

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

- Comprehensive property and general liability



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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, 2010 and 2009, and have issued our report thereon dated April 26, 2011 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Directors, and others within the District. We intend it for no one other than these specified parties.

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Dave Yost
Auditor of State

April 26, 2011

UPPER SCIOTO DRAINAGE AND CONSERVANCY DISTRICT
HARDIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-001

Noncompliance Citation

Ohio Rev. Code Section 135.21 states, in part, that except as otherwise expressly provided by law, interest earned must be credited to the general fund. During 2010 and 2009, the District recorded interest receipts, in the amount of \$653 and \$236, respectively, in the Special Revenue Cotton Wood District Fund. Pursuant to Section 135.21 and in the absence of an exception expressly provided by law, the interest receipts should have been recorded in the General Fund. The accounting records and accompanying financial statements have been adjusted to report these interest receipts in the General Fund.

The failure to only record interest receipts in permissible funds overstates the available resources of that fund. Overstated available resources may result in obligations that cannot be met with legally available resources.

The District passed resolutions in 2010 and 2009 that required interest revenue earned on the balance of the Special Revenue Cotton Wood Fund to be transferred to the General Fund. However, these resolutions were not followed by the District. The District should modify its resolution to require that interest earned on the balance of the Special Revenue Cotton Wood District Fund or any other fund be directly recorded in the General Fund. If there is a need for additional funding in another fund, the money can be transferred by resolution from the General Fund to the Cotton Wood Fund.

OFFICIALS' RESPONSE:

The District will properly report interest in the future.

UPPER SCIOTO DRAINAGE AND CONSERVANCY DISTRICT
HARDIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Format and Activity Presented in the Annual Financial Statements	Yes	



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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
JUNE 7, 2011