



**Auditor of State  
Betty Montgomery**



**BLANCHARD RIVER ENHANCEMENT PROJECT  
HANCOCK COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Blanchard River Enhancement Project  
Hancock County  
322 South Main Street  
Findlay, Ohio 45840-3353

To the Joint Board of County Commissioners:

We have audited the accompanying financial statements of the Blanchard River Enhancement Project (the Project) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Project'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 audits 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 Project 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 fund cash balances and reserves for encumbrances of the Project as of December 31, 2002 and 2001, and its 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 February 4, 2003 on our consideration of the Project'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.

Blanchard River Enhancement Project  
Hancock County  
Independent Accountants' Report  
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This report is intended solely for the information and use of the audit committee, management, the Joint Board of County Commissioners, 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

February 4, 2003

**BLANCHARD RIVER ENHANCEMENT PROJECT  
HANCOCK COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Capital Project</u>
<b>Cash Receipts:</b>	
Special Assessments	\$98
<b>Cash Disbursements:</b>	
Capital Outlay	<u>23,068</u>
Total Disbursements Over Receipts	(22,970)
Fund Cash Balance, January 1	<u>71,792</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>\$48,822</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$11,925</u></u>

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

**BLANCHARD RIVER ENHANCEMENT PROJECT  
HANCOCK COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Capital Project</u>
<b>Cash Receipts:</b>	
Special Assessments	\$617
<b>Cash Disbursements:</b>	
Capital Outlay	<u>21,830</u>
Total Disbursements Over Receipts	(21,213)
Fund Cash Balance, January 1	<u>93,005</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>\$71,792</u></u></b>
Reserve for Encumbrances, December 31	<u><u>          </u></u>

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



**BLANCHARD RIVER ENHANCEMENT PROJECT  
HANCOCK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Blanchard River Enhancement Project (the Project) 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 Project is directed by the County Commissioners of Hancock, Hardin, Putnam, Allen, Wyandot, and Seneca Counties. The Hancock County Commissioners are designated as the contracting agency for all contracts regarding the construction project. The Project consists of removing log jams from the Blanchard River.

The Project's management believes these financial statements present all activities for which the Project 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Fund Accounting**

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

CAPITAL PROJECT FUND

This fund type is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Project had the following significant capital project fund:

Blanchard River Maintenance Fund - Received proceeds of special assessments paid by property owners. The proceeds are being used to provide continuing maintenance to the Blanchard River.

**D. Budgetary Process**

As a "District Authority", the Blanchard River Project is only required to comply with the budgetary laws included in Ohio Revised Code § 5705.41.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control. The Commissioners must

**BLANCHARD RIVER ENHANCEMENT PROJECT  
HANCOCK COUNTY**

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

annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Encumbrances**

The Ohio Revised Code requires the Project 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.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Hancock County Auditor acts as the fiscal agent for the Project and the County Treasurer maintains a cash and investments pool used by all funds of the County, including those of the Project. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount on the County Auditor's records for the Project's fund balance was \$48,822 at December 31, 2002 and \$71,792 at December 31, 2001. The balance in the County Treasury was \$48,822 at December 31, 2002 and \$71,792 at December 31, 2001. The Hancock County Treasurer is responsible for maintaining adequate depository collateral for all funds in Hancock County's deposit accounts.

**3. COMPLIANCE**

The Project had \$8,000 in outstanding purchase commitments that were not certified as of December 31, 2002 and as a result were charged against 2003 appropriations.

**4. BUDGETARY ACTIVITY**

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

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
Capital Projects	\$35,000	\$34,993	\$7

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
Capital Projects	\$84,000	\$21,830	\$62,170



**Auditor of State  
Betty Montgomery**

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

Blanchard River Enhancement Project  
Hancock County  
322 South Main Street  
Findlay, Ohio 45840-3353

To the Joint Board of County Commissioners:

We have audited the accompanying financial statements of the Blanchard River Enhancement Project (the Project) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated February 4, 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 Project'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 2002-60232-001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Project'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 for the information and use of the audit committee, management and the Joint Board of County Commissioners, 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

February 4, 2003

**BLANCHARD RIVER ENHANCEMENT PROJECT  
HANCOCK COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-60232-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be null and void.

This section also provides two exceptions to the above requirement:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrance, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
  
- B. If the amount involved is less than \$100 the fiscal officer may authorize it to be paid without the affirmation of the Commissioners, if such expenditure is otherwise valid.

As of December 31, 2002, the Project had \$8,000 in outstanding purchase commitments that were not certified against 2002 appropriations and as a result were charged against 2003 appropriations. The accompanying financial statements have been adjusted to reflect these amounts as outstanding encumbrance at December 31, 2002.

Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Project funds being over expended or exceeding budgetary spending limitations as set by the Commissioners. To improve controls over disbursements, we recommend all Project disbursements receive prior certification of the Auditor and that the Commissioners periodically review the expenditures made to ensure they are within the appropriations adopted by the Commissioners, certified by the Auditor and recorded against appropriations.





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**BLANCHARD RIVER ENHANCEMENT PROJECT**

**HANCOCK 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  
MARCH 18, 2003**