



**Mary Taylor, CPA**  
Auditor of State



**SCIOTO CONSERVANCY DISTRICT  
MARION COUNTY**

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Mary Taylor, CPA  
Auditor of State

Scioto Conservancy District  
Marion County  
10000 Wildcat Pike  
LaRue, Ohio 43332

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 statement due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your District 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 statement in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

April 30, 2010

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Scioto Conservancy District  
Marion County  
10000 Wildcat Pike  
LaRue, Ohio 43332

To the Board of Directors:

We have audited the accompanying financial statement of the Scioto Conservancy District, Marion County, Ohio, (the District) as of and for the years ended December 31, 2009 and 2008. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 this financial statement 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 statement 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 statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require districts 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 statement referred to above for the years ended December 31, 2009 and 2008 does 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Scioto Conservancy District, Marion County, Ohio, as of December 31, 2009 and 2008, and its 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 30, 2010, 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

April 30, 2010



**SCIOTO CONSERVANCY DISTRICT  
MARION COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
<b>Cash Receipts:</b>		
Special Assessment	\$ 144,406	\$ 147,794
Interest	5,046	4,755
Miscellaneous	-	30
	149,452	152,579
<b>Cash Disbursements:</b>		
Salaries	1,790	1,610
Professional Services	6,391	7,039
Contract Services	108,044	114,315
Advertising	-	72
Supplies and Materials	218	441
Insurance	950	100
Travel and Expenses	3,155	2,844
PERS	261	229
Medicare	109	57
Miscellaneous	-	10
	120,918	126,717
Total Cash Receipts Over Cash Disbursements	28,534	25,862
Cash Balance, January 1	178,602	152,740
<b>Cash Balance, December 31</b>	<b>\$ 207,136</b>	<b>\$ 178,602</b>

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

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**SCIOTO CONSERVANCY DISTRICT  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2009 AND 2008**

**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 Scioto Conservancy District, Marion County, Ohio, (the District) as a body corporate and politic. A three member Board of Directors appointed by the Court of Common Pleas directs the District. The District provides conservation and flood control to portions of the Scioto River that flow through Marion County.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

**B. Accounting Basis**

This financial statement follows 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.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The District values certificates of deposits at cost. The District maintains a checking account and a savings account.

**D. 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 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. The Board did not approve an appropriation measure in 2008.

**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 use the encumbrance method of accounting in 2008.

**SCIOTO CONSERVANCY DISTRICT  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Process (Continued)**

**3. Encumbrances (Continued)**

Contrary to Ohio law, all budgetary expenditures exceeded appropriations in 2008 due to the District not appropriating any funds.

A summary of 2009 budgetary activity appears in Note 3.

**E. Property, Plant, and Equipment**

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

**2. Cash and Investments**

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

	2009	2008
Demand deposits	207,136	24,093
Certificates of deposit	-	154,509
Total deposits	207,136	178,602

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

**3. Budgetary Activity**

Budgetary activity for the year ending December 31, 2009 follows:

2009 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$142,000	\$149,452	\$7,452

2009 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$191,980	\$120,918	\$71,062

**SCIOTO CONSERVANCY DISTRICT  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**4. Retirement Systems**

The District's full-time 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 2009 and 2008, 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, 2009.

**5. Risk Management**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

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# 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*

Scioto Conservancy District  
Marion County  
10000 Wildcat Pike  
LaRue, Ohio 43332

To the Board of Directors:

We have audited the financial statement of the Scioto Conservancy District, Marion County, Ohio, (the District) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 30, 2010, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 statement, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore we cannot assure that we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-005 described in the accompanying schedule of findings to be 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.

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Scioto Conservancy District  
Marion County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-004.

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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**Mary Taylor, CPA**  
Auditor of State

April 30, 2010



**SCIOTO CONSERVANCY DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Noncompliance Citation**

**Budgetary – Certification of Available Resources**

Ohio Rev. Code Sections 5705.28(B)(2)(b) and 5705.36 require on or about the first day of each fiscal year, the fiscal officer of each taxing unit that does not levy a tax shall prepare a certificate of the total amount from all sources available for expenditures from each fund set up in the operating budget.

The District prepared a certificate of all sources available for expenditure for 2009; however, the District did not prepare a certificate for 2008.

Failure to prepare a certificate of all sources available can inhibit setting appropriations properly and possibly result in overspending funds and negative cash fund balances. We recommend the District prepare a certificate of all sources available and amend the original certificate of estimated resources as resources and appropriations vary.

**FINDING NUMBER 2009-002**

**Noncompliance Citation**

**Budgetary – Annual Appropriations**

Ohio Rev. Code Sections 5705.28 (B)(2)(b) and 5705.38 require on or about the first day of each year, the taxing authority of each taxing unit that does not levy a tax shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised operating budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

The District passed a resolution setting their annual appropriations for 2009; however, the District did not pass a temporary or permanent appropriation resolution for 2008.

Failure to set appropriations can lead to overspending and result in negative cash fund balances. We recommend the District set annual appropriations based on their operating budget or certificate of estimated resources.

**SCIOTO CONSERVANCY DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2009-003**

**Noncompliance Citation  
Budgetary – Expenditures Exceeding Appropriations**

Ohio Rev. Code Sections 5705.28(B)(2)(b) and 5705.41(B) prohibit any expenditure of money unless it has been appropriated; therefore, expenditures shall not exceed the appropriated amount set by the governing body.

The District properly appropriated funds for 2009 and expenditures throughout the year were within these appropriations; however the District failed to appropriate funds during 2008. Therefore, all expenditures exceeded the appropriated amount for 2008.

Failure to monitor actual verses budgeted expenditures can lead to overspending and result in negative cash fund balances. We recommend the District set an annual budget with appropriations and monitor budgeted verses actual expenditures.

**FINDING NUMBER 2009-004**

**Noncompliance Citation  
Budgetary – Certification of Expenditures**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is 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 shall be null and void.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in section 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that 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 District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the

**SCIOTO CONSERVANCY DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2009-004 (Continued)**

**Noncompliance Citation**

**Budgetary – Certification of Expenditures (Continued)**

expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket Certificate** – Fiscal Officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
  
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the 2008 transactions tested were signed by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. The District did utilize Super Blanket Certificates during 2009. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, “then and now” certification should be used.

We recommend the District certify all purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**SCIOTO CONSERVANCY DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2009-005**

**Material Weakness  
Financial Reporting**

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustment was made to the December 31, 2008 financial statements and the District's accounting records:

Adjustment of \$1,887 to the General Fund, increasing interest and fund cash balance to account for 2008 interest receipts inadvertently not posted. Subsequently, in 2009 the District posted a fund balance adjustment to account for these receipts, allowing the District to properly reconcile.

The adjustment identified above should be reviewed by the Fiscal Officer and Board of Directors to ensure that similar errors are not reported on financial statements in subsequent years. In addition, the District should develop procedures for the periodic review of the activity posted to the accounting records, as well as, for the review of the financial statement information to ensure it accurately reflects the District's activity.

**Officials' Response**

We did not receive a response from Officials to the findings reported above.

**SCIOTO CONSERVANCY DISTRICT  
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Certification of Available Resources	No	Partially Corrected – District did not certify available resources in 2008. Repeated as Finding 2009-001.
2007-002	Annual Appropriations	No	Partially Corrected – District did not approve annual appropriations for 2008. Repeated as Finding 2009-002.
2007-003	Expenditures Exceeding Appropriations	No	Partially Corrected – District did not approve annual appropriations for 2008. Repeated as Finding 2009-003.
2007-004	Certificate of Expenditures	No	Partially Corrected – District did not pre-certify expenditures during 2008. Repeated as Finding 2009-004.
2007-005	Secured Deposits	Yes	





Mary Taylor, CPA  
Auditor of State

**SCIOTO CONSERVANCY DISTRICT**

**MARION 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 15, 2010**