



**Auditor of State
Betty Montgomery**

**SCIOTO CONSERVANCY DISTRICT
MARION COUNTY**

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**Auditor of State
Betty Montgomery**

Scioto Conservancy District
Marion County
3624 LaRue Green Camp Road
Marion, Ohio 43302

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 a February 2, 2005 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 statement in accordance with GAAP. Our Report includes an 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 8, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Scioto Conservancy District
Marion County
3624 LaRue Green Camp Road
Marion, Ohio 43302

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 period ended January 1, 2000 through December 31, 2005. 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.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes. While the District does not follow GAAP, auditing standards generally accepted in the United States of America require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statement. Since this District does not use GAAP to measure financial statement amounts, 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 period ended January 1, 2000 through December 31, 2005 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as December 31, 2005, or its changes in financial position for the period 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, 2000 through December 31, 2005 and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to accounting principles generally accepted in the United States of America also requires the District to include Management's Discussion and Analysis for the period ended December 31, 2005. 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 August 8, 2006, 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.



Betty Montgomery
Auditor of State

August 8, 2006

**SCIOTO CONSERVANCY DISTRICT
MARION COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE PERIOD ENDED JANUARY 1, 2000 THROUGH DECEMBER 31, 2005**

| | |
|---|----------------|
| Cash Receipts: | |
| Intergovernmental | \$19,066 |
| Special Assessment | 91,162 |
| Interest | 944 |
| Miscellaneous | 65 |
| | 111,237 |
| Total Cash Receipts | 111,237 |
| Cash Disbursements: | |
| Salaries | 1,991 |
| Professional Services | 48,129 |
| Contract Services | 38,300 |
| Supplies and Materials | 258 |
| Insurance | 350 |
| Travel and Expenses | 9,127 |
| Equipment | 2,554 |
| PERS | 444 |
| Medicare | 62 |
| Repayment of Debt | 74,200 |
| Miscellaneous | 1,479 |
| | 176,894 |
| Total Cash Disbursements | 176,894 |
| Total Cash Receipts (Under) Cash Disbursements | (65,657) |
| Other Financing Receipts: | |
| Proceeds of Debt | 70,000 |
| | 70,000 |
| Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements | 4,343 |
| Cash Balance, January 1, 2000 | 0 |
| | 0 |
| Cash Balance, December 31, 2005 | \$4,343 |

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 STATEMENTS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Scioto Conservancy District, Marion County, Ohio, (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 is directed by a three-member Board of Directors appointed by the Court of Common Pleas. The District provides conservation and flood control to the portion of the Scioto River that flows through Marion County.

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

B. Basis of Accounting

This financial statement follows the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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. Cash

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 legal 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.

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.

The District did not follow budgetary requirements relating to the establishment of appropriations and estimated resources, and encumbrances.

**SCIOTO CONSERVANCY DISTRICT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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. CASH

The carrying amount of cash at December 31, 2005 was as follows:

| | |
|-----------------|-------------|
| | <u>2005</u> |
| Demand deposits | \$4,343 |

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

3. DEBT

In 2002, the District entered into a note payable with Marion County for \$70,000 with a 4% per annual interest rate. The note payable was completely repaid in 2004.

4. 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 retirement benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2005.

5. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Errors and omissions.

The District is uninsured for the following risks:

- Comprehensive property and general liability.



Auditor of State Betty Montgomery

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
3624 LaRue Green Camp Road
Marion, Ohio 43302

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 period ended January 1, 2000 through December 31, 2005, and have issued our report thereon dated August 8, 2006, 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated August 8, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated August 8, 2006, we reported other matters related to noncompliance we deemed immaterial.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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

We intend this report solely for the information and use of the management and the Board of Directors. It is not intended for 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

August 8, 2006

**SCIOTO CONSERVANCY DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2005**

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

FINDING NUMBER 2005-001

Noncompliance Citation

Budgetary Requirements

Ohio Rev. Code Sections 5705.36, 5705.38, 5705.41(B), and 5705.41(D) require the District to establish appropriations and estimated resources, and certify the availability of funds prior to incurring an obligation. These requirements were effective for the period January 1, 2000 through December 31, 2005.

The District did not follow the encumbrance method of accounting during the audit period.

Failure to certify estimated resources, establish appropriation, and properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the District establish an appropriation measure prior to paying any expenditure from the District's funds and note such approval in the minutes of the Board. We also recommend the District certify the total amount available for expenditure on or about the first day of each fiscal year. In addition, we recommend the District officials and employees obtain the Clerk's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Official's Response

The Scioto Conservancy District Board of Directors agrees with the noncompliance citation. The District is planning on implementing procedures to enable the District to be in compliance with budgetary requirements in the future.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
DECEMBER 7, 2006**