

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA
Auditor of State

Board of Trustees
Leading Creek Conservancy District
34481 Corn Hollow Road
Rutland, Ohio 45775

We have reviewed the *Independent Accountant's Report* of the Leading Creek Conservancy District, Meigs County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountant's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountant's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Leading Creek Conservancy District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 29, 2009

This Page is Intentionally Left Blank.

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountant’s Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balance for the Year Ended December 31, 2008	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balance for the Year Ended December 31, 2007	4
Notes to the Financial Statements	5
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i>	11
Schedule of Findings.....	13

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANT'S REPORT

June 29, 2009

Leading Creek Conservancy District
Meigs County
34481 Corn Hollow Road
Rutland, Ohio 45775

To the Board of Trustees:

We have audited the accompanying financial statements of the **Leading Creek Conservancy District, Meigs County, Ohio**, (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 opinions 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 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 opinions.

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 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 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 their changes in financial position or cash flows for the years then ended.

Leading Creek Conservancy District
Meigs County
Independent Auditor's Report
Page 2

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Leading Creek Conservancy District, Meigs County, as of December 31, 2008 and 2007, 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 June 29, 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

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry and Associates
Certified Public Accountants, A.C

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY**

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

	2008
Operating Cash Receipts:	
Charges for Services	\$ 1,228,060
Miscellaneous	53,202
	1,281,262
Operating Cash Disbursements:	
Wages and Benefits	576,098
General and Administrative	108,845
Contractual Services	94,148
Utilities	109,387
Supplies and Materials	239,622
Capital Outlay	86,799
	1,214,899
Operating Income/(Loss)	66,363
Other Financing Receipts and (Disbursements)	
Note Proceeds	29,593
Interest Income	14,536
Debt Service	
Principal	(153,889)
Interest	(71,812)
	(181,572)
Total Other Financing Receipts and (Disbursements)	(181,572)
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Sources	(115,209)
Cash Balances, January 1	1,356,577
Cash Balances, December 31	\$ 1,241,368

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

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY**

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

	2007
Operating Cash Receipts:	
Charges for Services	\$ 1,239,585
Miscellaneous	21,705
	1,261,290
Operating Cash Disbursements:	
Wages and Benefits	496,183
General and Administrative	106,737
Contractual Services	115,458
Utilities	96,753
Supplies and Materials	353,094
Capital Outlay	59,563
	1,227,788
Operating Income/(Loss)	33,502
Other Financing Receipts and (Disbursements)	
Note Proceeds	211,600
Interest Income	12,622
Sale of Fixed Assets	3,011
Debt Service	
Principal	(128,279)
Interest	(68,997)
	29,957
Total Other Financing Receipts and (Disbursements)	29,957
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Sources	63,459
Cash Balances, January 1	1,293,118
Cash Balances, December 31	\$ 1,356,577

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

Leading Creek Conservancy District
Meigs County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Leading Creek Conservancy District, Meigs County, Ohio (the District), was organized under the provisions of Ohio Revised Code Section 6101.04, in the manner and subject to the conditions provided by Ohio Revised Code Sections 6101.01 and 6101.84, inclusive, for the purpose of watershed protection and flood prevention.

The governing body for the District consists of a Board of Directors of three (3) members appointed by the Court of Common Pleas in accordance with Ohio Revised Code Section 6101.10, to serve a term of five (5) years.

The District's management believes the financial statements present all activities for which the District 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. Deposits and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Clerk-Treasurer invests all available funds of the District in an interest bearing checking account, a Rate Watchers account, and Certificates of Deposit. Certificates of Deposit are valued at cost.

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:

1. Proprietary Fund Type

This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.

A. Enterprise Fund

This fund accounts for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District uses its Enterprise Fund to account for the provision of water services to customers.

Leading Creek Conservancy District
Meigs County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash Receipts—Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. The District did not have any of these types of transactions during the years ended December 31, 2008 and 2007.

F. Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

G. Budgetary Process

Under HB 262, effective for fiscal years ended December 31, 2000 and subsequent years, water and sewer districts not levying property taxes must follow most of the Ohio Revised Code Chapter 5705 budget requirements, but need not seek approval of a county budget commission for any budgetary actions. These districts must:

HB 262 Requirements	Applicable ORC Sections
Estimated receipts and adopt an operating budget	5705.28(B)(2)(a)
Prepare certificate of estimated resources (but does not require budget commission approval)	5705.36
Must amend estimated resources under the circumstances described in OCS	5705.36
Appropriate at the minimum level of control prescribed by ORC 5705.38. No budget commission approval is required.	5705.38
Cannot appropriate more than estimated resources	5705.28(B)(2)(c)
Must amend appropriations if they intend to spend more than the original appropriation	5705.40
Cannot disburse or encumber more than appropriated	5705.41(B)
Must certify availability of funds	5705.41(D)
May issue blanket or super blanket purchase orders	5705.41(D)

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. The Board of Directors must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

Leading Creek Conservancy District
Meigs County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Budgetary Process (Continued)

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

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 re-appropriated.

H. Property, Plant, and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave – Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability in the accompanying basic financial statements.

2. DEPOSITS AND INVESTMENTS

The District maintains cash used in a general checking account. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2008	2007
Demand deposits	\$ 515,123	\$ 655,350
Certificates of Deposit	726,245	701,227
Total deposits	\$ 1,241,368	\$ 1,356,577

Deposits: are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITIES

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

Budgeted vs. Actual Receipts		
	2008	2007
Budgeted Receipts	\$ 1,553,600	\$ 1,507,933
Actual Receipts	1,325,391	1,488,523
Variance	\$ 228,209	\$ 19,410

Leading Creek Conservancy District
Meigs County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

3. BUDGETARY ACTIVITIES (Continued)

Budgeted vs. Actual Budgetary Expenditures		
	2008	2007
Appropriation Authority	\$ 1,516,844	\$ 1,495,344
Budgetary Expenditures	1,440,600	1,425,064
Variance	\$ 76,244	\$ 70,280

4. RETIREMENT SYSTEMS

The District's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, PERS members contributed 10% for 2008 and 9.5% for 2007 of their gross salaries. The District contributed an amount equal to 14% for 2008 and 13.85% for 2007 of participant's gross salaries. The District has paid all contributions required through December 31, 2008.

5. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- General liability and casualty
- Official's and Employee's Dishonesty Bonds
- Vehicles
- Property.

Leading Creek Conservancy District
Meigs County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

6. DEBT

Debt outstanding at December 31, 2008 and 2007 was as follows:

	<u>2008</u>	<u>2007</u>
5.00% note payable USDA, due in January 2013, secured by property and the District's revenue.	390,000	476,000
5.75% note payable USDA, due in 2013, secured by property and the District's revenue.	78,000	110,000
6.36% note payable OWDA, payable in yearly installments of \$28,284, due in January 2021.	232,524	245,213
6.13% note payable OWDA, payable in yearly installments of \$17,994, due July 2025.	185,143	191,494
2.00% OWDA, payable in yearly installments of \$8,156, due July 2028.	132,099	139,302
7.21% note payable People's Bank, payable in monthly installments of \$808, due in September 2009.	6,295	15,180
5.50% note payable Vinton County National Bank payable in monthly installments of \$2,442, due in September 2017.	<u>203,173</u>	<u>220,740</u>
Total long-term debt	<u>\$ 1,227,234</u>	<u>\$ 1,397,929</u>

The prior audit indicated that the balance at December 31, 2006 for the 5% USDA note was \$636,000. The balance was actually \$558,000. The prior audit indicated that the balance at December 31, 2006 for the 5.75% USDA note was \$126,000. The balance was actually \$111,000. The prior audit indicated that the balance at December 31, 2006 for the 6.36% OWDA note was \$249,118. The balance was actually \$257,143.

Leading Creek Conservancy District
Meigs County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

6. DEBT (Continued)

The annual requirements to amortize all bonded debt outstanding at December 31, 2008, including interest, are as follows:

Year Ending	USDA Notes Payable	OWDA Notes Payable	People's Bank Note Payable	Vinton County Note Payable	Total Notes Payable
December 31					
2009	-	31,296	6,468	29,302	67,066
2010	131,985	54,435	-	29,302	215,722
2011	132,450	54,435	-	29,302	216,187
2012	131,608	54,435	-	29,305	215,348
2013	133,508	54,435	-	29,314	217,257
2014-2018	-	272,170	-	109,927	382,097
2019-2023	-	201,460	-	-	201,460
2024-2028	-	76,768	-	-	76,768
Totals	<u>\$ 529,551</u>	<u>\$ 799,434</u>	<u>\$ 6,468</u>	<u>\$ 256,453</u>	<u>\$ 1,591,905</u>

The District made several payments for various loans in December 2008 that were not due until January 2009.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

June 29, 2009

Leading Creek Conservancy District
Meigs County
34481 Corn Hollow Road
Rutland, Ohio 45775

To the Board of Trustees:

We have audited the financial statements of the **Leading Creek Conservancy District, Meigs County**, (the District) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 29, 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.

Internal Control Over Financial Reporting (Continued)

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.

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 the significant deficiency described above is not 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 that we must report under *Government Auditing Standards*.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS 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

Significant Deficiency

Posting Receipts and Expenditures

During 2008 and 2007, several receipts and expenditures were not posted into accurate revenue or expenditures classifications based on the source of the receipt or expenditure. Examples of mis-postings are as follows: note proceeds were posted as miscellaneous, sale of fixed assets were posted as miscellaneous, and debt payments were not separated into principal and interest.

These mis-postings resulted in several audit reclassifications which are reflected in the financial statements.

We recommend the Clerk-Treasurer take due care to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from Management.



Mary Taylor, CPA
Auditor of State

LEADING CREEK CONSERVANCY DISTRICT

MEIGS 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
AUGUST 11, 2009**