



Mary Taylor, CPA
Auditor of State

**WABASH RIVER CONSERVANCY DISTRICT
MERCER COUNTY**

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Mary Taylor, CPA
Auditor of State

Wabash River Conservancy District
Mercer County
871 Meiring Road
Fort Recovery, Ohio 45846

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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Mary Taylor, CPA
Auditor of State

June 16, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Wabash River Conservancy District
Mercer County
871 Meiring Road
Fort Recovery, Ohio 45846

To the Board of Trustees:

We have audited the accompanying financial statements of Wabash River Conservancy District, Mercer County, (the District), as of and for the years ended December 31, 2007 and 2006. 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.

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 the District 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, 2007 and 2006 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, 2007 and 2006, 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 cash balances of Wabash River Conservancy District, Mercer County, as of December 31, 2007 and 2006, 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 16, 2008, 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 16, 2008

**WABASH RIVER CONSERVANCY DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
Cash Receipts:		
Special Assessment	\$27,316	\$27,264
Interest	165	195
Miscellaneous	6	524
Total Cash Receipts	27,487	27,983
 Cash Disbursements:		
Current Disbursements:		
Conservation:		
Salaries	3,640	3,860
Fringe Benefits	567	573
Contracts - Services	29,314	13,034
Travel	744	741
Other	2,204	3,751
Total Cash Disbursements	36,469	21,959
 Total Cash Receipts Over/(Under) Cash Disbursements	(8,982)	6,024
 Fund Cash Balances, January 1	25,918	19,894
 Fund Cash Balances, December 31	\$16,936	\$25,918

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

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**WABASH RIVER CONSERVANCY DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Wabash River Conservancy District, Mercer County, (the District) as a body corporate and politic. A three-member Board of Directors directs the District. Each political subdivision within the District appoints one member. The District provides conservation and flood control to Mercer and Darke County.

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. Cash and Investments

The District does not hold any investments.

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 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. The District did not use the encumbrance method of accounting.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**WABASH RIVER CONSERVANCY DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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. EQUITY IN POOLED CASH

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

	2007	2006
Demand deposits	\$16,936	\$25,918
Total deposits	16,936	25,918

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31 2007 and December 31, 2006 follows:

2007 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$27,200	\$27,487	\$287

2007 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$53,000	\$36,469	\$16,531

2006 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$27,200	\$27,983	\$783

2006 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$47,000	\$21,959	\$25,041

**WABASH RIVER CONSERVANCY DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. RETIREMENT SYSTEMS

The District's full-time employees belong 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 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the District contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

5. RISK MANAGEMENT

Commercial Insurance

The Wabash River Conservancy District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and,
- Vehicles.

The Wabash River Conservancy District is uninsured for the following risks:

- Errors and omissions.

6. RELATED PARTY TRANSACTIONS

In 2006, District Treasurer John Fortkamp used his personal mower to mow Dam #3 of the Wabash River Conservancy District, and was compensated \$185 on District check number 2323.

In 2007, District treasurer John Fortkamp used his personal mower to mow Dam #3 at the Wabash River Conservancy District and was compensated \$185 on check number 2395.

During 2007, District Treasurer John Fortkamp used his personal four-wheeler for transportation to survey needed cleanup along the Wabash River. The Wabash River Conservancy District compensated John Fortkamp \$30 on check number 2341 for the rent of his four-wheeler, along with the reimbursement for mileage.

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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*

Wabash River Conservancy District
Mercer County
871 Meiring Road
Fort Recovery, Ohio 45846

To the Board of Trustees:

We have audited the financial statements of the Wabash River Conservancy District, Mercer County, (the District), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 16, 2008, 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 to be 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 the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: Finding 2007-002.

**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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and items 2007-001 and 2007-002.

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



Mary Taylor, CPA
Auditor of State

June 16, 2008

**WABASH RIVER CONSERVANCY DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance

Ohio Rev. Code Section 6101.44(D) and 5705.41(D) state no contract shall be let and no order shall be issued involving the expenditure of money unless the accounting officer of the district first certifies that the amount required to meet the expenditure or, in the case of a continuing contract to be performed in whole or in part in a subsequent fiscal year, the amount required to meet the contract in the year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from previous encumbrances. Accounts shall be kept in such form as to show at all times the true condition of each appropriation.

The District did not use the required expenditure certification or encumbrance procedures during 2007 and 2006.

The District should review Sections 6101.44(D) and 5705.41(D) and implement procedures for certification of the availability of funds prior to entering into purchase obligations.

Officials Response:

No response was received from District officials.

FINDING NUMBER 2007-002

Noncompliance / Significant Deficiency

Ohio Adm. Code Section 117-2-02(C) (1) states that all local public offices should integrate the budgetary accounts, at the legal level of control into the financial accounting system. This means designing manual procedures to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

During both 2007 and 2006 the District Treasurer did not adjust the unencumbered balances in the appropriation ledger after each expenditure transaction. As noted in Finding Number 2007-001, the District did not encumber expenditures. The failure to monitor available appropriations could result in the failure to detect that commitments are in excess of available appropriations. In addition, the District Treasurer did not maintain the receipt ledgers by adjusting the outstanding budgeted revenue as revenue was received.

The failure to properly maintain the appropriation and receipt ledgers does not allow the Trustees to monitor budgeted versus actual information to determine the District's year to date performance. This also could result in more than inconsequential misstatement in the budgetary activity in the notes to the financial statements.

FINDING NUMBER 2007-002
(Continued)

The District Treasurer should maintain accurate and up to date appropriation and receipt ledgers by posting transactions promptly to the appropriate accounts and maintaining the current balance in each account. The District should also implement additional procedures over the completeness and accuracy of the financial information reported within the Annual Financial Report. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current annual report to the prior years reports for obvious errors and omissions.

Officials Response:

No response was received from District Officials.

**WABASH CONSERVANCY DISTRICT
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC Sec. 6101.44 (D) – Failure to certify the availability of funds prior to entering into purchase agreements.	No	See Finding 2007-001



Mary Taylor, CPA
Auditor of State

WABASH RIVER CONSERVANCY DISTRICT

MERCER 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 5, 2008**