

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY
Regular Audit
For the Years Ended December 31, 2006 and 2005**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Leading Creek Conservancy District, Meigs County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2005 through December 31, 2006. 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 Accountants' 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 Accountants' 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 26, 2007

This Page is Intentionally Left Blank.

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type - for the Year Ended December 31, 2006.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type - for the Year Ended December 31, 2005.....	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>Government Auditing Standards</i>	10

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

June 6, 2007

Board of Directors
Leading Creek Conservancy District
Meigs County
34481 Corn Hollow Road
Rutland, OH 45775

We have audited the accompanying financial statements of **Leading Creek Conservancy District**, Meigs County, Ohio, (the District) as of and for the years ended December 31, 2006 and 2005. 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.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. 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 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 statements. Since the 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 statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005 or their 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 **Leading Creek Conservancy District**, Meigs County, as of December 31, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2006 and 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 June 6, 2007, 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,

Perry and Associates
Certified Public Accountants, A.C.

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006
Operating Cash Receipts:	
Charges for Services	\$ 1,059,621
Miscellaneous	67,527
Total Operating Cash Receipts	1,127,148
Operating Cash Disbursements:	
Wages and Benefits	347,789
General and Administrative	169,986
Contractual Services	174,399
Utilities Expense	90,125
Supplies and Materials	185,484
Capital Outlay	3,319
Total Operating Cash Disbursements	971,102
Operating Income	156,046
Other Financing Receipts And (Disbursements)	
Interest Income	1,581
Principal Debt Payments	(125,076)
Interest Expense	(77,302)
Total Other Financing Receipts And (Disbursements)	(200,797)
Excess Of Cash Receipts And Other Financing Receipts Over(Under) Cash Disbursements And Other Financing Disbursements	(44,751)
Fund Cash Balances, January 1	1,337,869
Fund Cash Balances, December 31	\$ 1,293,118

See notes to the financial statements

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	2005
Operating Cash Receipts:	
Charges for Services	\$ 1,091,394
Miscellaneous	15,314
	1,106,708
Operating Cash Disbursements:	
Wages and Benefits	356,422
General and Administrative	172,585
Contractual Services	72,061
Utilities Expense	78,890
Supplies and Materials	126,881
Capital Outlay	35,987
	842,826
Total Operating Cash Disbursements	842,826
Operating Income	263,882
Other Financing Receipts And (Disbursements)	
Interest Income	1,537
Principal Debt Payments	(125,238)
Interest Expense	(82,837)
	(206,538)
Total Other Financing Receipts And (Disbursements)	(206,538)
Excess Of Cash Receipts And Other Financing Receipts Over(Under) Cash Disbursements And Other Financing Disbursements	57,344
Fund Cash Balances, January 1	1,280,525
Fund Cash Balances, December 31	\$ 1,337,869

See notes to the financial statements

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

Note 1 - Summary of Significant Accounting Policies

A. Description of the Entity

The Leading Creek Conservancy District, Meigs County (the District), was organized under the provisions of Ohio Rev. Code Section 6101.04, in the manner and subject to the conditions provided by Ohio Rev. 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 Rev. Code Section 6101.10, to serve a term of five (5) years.

The District's management believes these financial statements represent 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 cash 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 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 assets and are valued at cost. 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.

D. Fund Accounting

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

Proprietary Fund Type

Enterprise Fund

This fund accounts for operations that are similar to private business enterprises where management intends to recover the significant costs of providing certain goods or services through user charges.

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

E. 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.

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.

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

F. 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.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

2. Equity in Pooled Cash 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:

	2005	2004
Demand deposits	\$ 246,020	\$ 303,715
Certificates of Deposit	1,047,098	1,034,154
Total deposits	\$ 1,293,118	\$ 1,337,869

Deposits:

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

Budgeted vs. Actual Receipts		
	2006	2005
Budgeted Receipts	\$ 1,126,700	\$ 1,113,100
Actual Receipts	1,128,729	1,108,245
Variance	\$ 2,029	\$ (4,855)

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(continued)**

3. Budgetary Activity (continued)

Budgeted vs. Actual Budgetary Basis Expenditures		
	2006	2005
Appropriation Authority	\$ 1,216,500	\$ 1,130,700
Budgetary Expenditures	1,173,480	1,050,901
Variance	\$ 43,020	\$ 79,799

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 2006 and 2005, PERS members contributed 9.0% for 2006 and 8.5% for 2005 of their gross salaries. The District contributed an amount equal to 13.70% for 2006 and 13.55% for 2005 of participant's gross salaries. The Authority has paid all contributions required through December 31, 2006.

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
(continued)**

NOTE 6 - LONG TERM DEBT

The District has the following long-term debt at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
5.00% note payable USDA, due in January 2013, secured by property and the District's revenue.	636,000	710,000
5.75% note payable USDA, due in 2013, secured by property and the District's revenue.	126,000	140,000
6.36% note payable OWDA, payable in yearly installments of \$28,284, due in January 2021.	249,118	259,670
6.13% note payable OWDA, payable in yearly installments of \$17,994, due July 2025.	197,473	203,101
2.00% OWDA, payable in yearly installments Of \$8,156, Due July 2028.	144,593	149,780
4.39% mortgage note payable People's Bank, payable in monthly installments of \$1,071 due in January 2007.	-	11,684
4.75% mortgage note payable Home National Bank payable in monthly installments of \$564, due in August 2006.	-	4,025
Total long-term debt	<u>\$ 1,353,184</u>	<u>\$ 1,478,260</u>

The annual requirements to amortize all bonded debt outstanding as of December 31, 2006 including interest payments of \$310,644 are as follows:

Year Ending December 31	USDA Notes Payable	OWDA Notes Payable	Total Notes Payable
2007	132,283	54,434	186,717
2008	132,263	54,434	186,697
2009	131,985	54,434	186,419
2010	132,450	54,434	186,884
2011	131,608	54,434	186,042
2012-2016	133,508	272,170	405,678
2017-2021		242,351	242,351
2022-2026		70,807	70,807
Thereafter		12,235	12,235
Totals	<u>\$ 794,095</u>	<u>\$ 869,733</u>	<u>\$ 1,663,828</u>

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 6, 2007

Board of Directors
Leading Creek Conservancy District
Meigs County
34481 Corn Hollow Road
Rutland, OH 45775

We have audited the financial statements of **Leading Creek Conservancy District**, Meigs County, (the District) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 6, 2007, 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 opinions 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.

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 a 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.

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.

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's basic 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 we must report under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the District's Board of Directors, and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.



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
JULY 10, 2007