

***LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Leading Creek Conservancy District, Meigs County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. 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.

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 "Dave Yost".

Dave Yost
Auditor of State

October 13, 2017

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**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY
AUDIT REPORT
For the Years Ending December 31, 2016 and 2015**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements and related notes of the Leading Creek Conservancy District, Meigs County (the District), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the Opinion on Regulatory Basis of Accounting paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2016 and 2015, or changes in financial position or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Leading Creek Conservancy District as of December 31, 2016 and 2015, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2017 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
July 25, 2017

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES CASH BALANCE- (REGULATORY CASH BASIS)**

For the Year Ended December 31, 2016

Operating Cash Receipts:

Charges for Services	\$	1,370,856
Tap Fees		17,611
Total Operating Cash Receipts		1,388,467

Operating Cash Disbursements:

Personal Services		746,635
Utilities		145,174
Repairs, Maintenance and Testing		192,580
Treatment Plant		91,736
Other Contractual Services		54,094
Office Expense and Insurance		82,556
Total Operating Cash Disbursements		1,312,775

Operating Income/(Loss)		75,692
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Non-Operating Cash Receipts:

Interest		2,097
Loan Proceeds		51,618
Miscellaneous		33,895
Total Non-operating Cash Receipts		87,610

Non-Operating Cash Disbursements:

Debt Service:		
Principal		71,711
Interest		9,840
Capital Outlay		55,318
Total Non-operating Cash Disbursements		136,869

Net Receipts Over/(Under) Disbursements		26,433
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Cash Balance, January 1		1,131,053
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Cash Balance, December 31	\$	1,157,486
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See Accompanying Notes to the Financial Statements.

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES CASH BALANCE- (REGULATORY CASH BASIS)
For the Year Ended December 31, 2015**

Operating Cash Receipts:

Charges for Services	\$ 1,346,847
Tap Fees	34,943
Total Operating Cash Receipts	1,381,790

Operating Cash Disbursements:

Personal Services	725,286
Utilities	158,667
Repairs, Maintenance and Testing	168,639
Treatment Plant	173,136
Other Contractual Services	73,898
Office Expense and Insurance	63,362
Total Operating Cash Disbursements	1,362,988

Operating Income/(Loss) 18,802

Non-Operating Cash Receipts:

Interest	1,856
Miscellaneous	33,296
Total Non-operating Cash Receipts	35,152

Non-Operating Cash Disbursements:

Debt Service:	
Principal	62,521
Interest	19,802
Capital Outlay	6,060
Total Non-operating Cash Disbursements	88,383

Net Receipts Over/(Under) Disbursements (34,429)

Cash Balance, January 1 1,165,482

Cash Balance, December 31 \$ 1,131,053

See Accompanying Notes to the Financial Statements.

LEADING CREEK CONSERVANCY DISTRICT

MEIGS COUNTY

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 1 - Reporting Entity

The Leading Creek Conservancy, Meigs County, (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 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 these financial statements present all activities for which the District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires the Board to budgeted annually.

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of, and appropriations may not exceed estimated resources. The District 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 and 2015 budgetary activity appears in Note 4.

LEADING CREEK CONSERVANCY DISTRICT

MEIGS COUNTY

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Note 3 – Compliance

Contrary to Ohio Revised Code Section 5705.41(B), budgetary disbursements exceeded appropriation authority in the operating fund in 2016 and 2015.

Note 4- Budgetary Activity

Budgetary activity for the years ending 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$1,382,748	\$1,476,077	\$93,329

2016 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation	Budgetary	
Authority	Disbursements	Variance
\$1,379,659	\$1,449,644	(\$69,985)

2015 Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$1,458,114	\$1,416,942	(\$41,172)

2015 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation	Budgetary	
Authority	Disbursements	Variance
\$1,361,938	\$1,451,371	(\$89,433)

Note 5– Deposits and Investments

The District maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

LEADING CREEK CONSERVANCY DISTRICT

MEIGS COUNTY

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 5– Deposits and Investments – (Continued)

	<u>2016</u>	<u>2015</u>
Demand deposits	\$512,836	\$488,542
Certificates of deposit	644,650	642,511
Total deposits	<u>\$1,157,486</u>	<u>\$1,131,053</u>

Deposits

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

Note 6- Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Settlement amounts have not exceeded insurance coverage for the last three years. There has been no reduction in liability limits.

Note 7- Defined Benefit Pension Plan

Retirement System

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 2016 and 2015, OPERS members contributed 10% of their gross salaries and the District contributed 14% of participants’ gross salaries. The District has paid all contributions required through December 31, 2016.

LEADING CREEK CONSERVANCY DISTRICT

MEIGS COUNTY

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 8– Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA - #2035	\$83,422	6.360%
OWDA - #3186	\$117,835	6.130%
OWDA - #3774	\$97,213	2.000%
Vinton County National Bank	\$19,809	5.500%
Vinton County National Bank	\$44,678	2.500%
Total	<u>\$362,957</u>	

The District entered into loan (2035) with the Ohio Water Development Authority (OWDA) to finance the construction of water system. The loan was issued in 1996 for \$349,522 and final payment is due in 2021.

The District entered into loan (3186) with the Ohio Water Development Authority (OWDA) to finance the construction of water system. The loan was issued in 2001 for \$228,656 and final payment is due in 2025.

The District entered into loan (3774) with the Ohio Water Development Authority (OWDA) to finance the construction of water system. The loan was issued in 2004 for \$159,849 and final payment is due in 2028.

The District entered into loan with the Vinton National Bank to finance for construction of office building. The loan was issued in 2007 for \$225,000 and final payment is due in 2017.

The District entered into loan with the Vinton National Bank to purchase 2 trucks. The loan was issued in 2016 for \$51,618 and final payment is due in 2019.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending					
December 31,	<u>OWDA #2035</u>	<u>OWDA #3186</u>	<u>OWDA #3774</u>	<u>Vinton National Bank</u>	<u>Vinton National Bank</u>
2017	\$ 8,156	\$ 15,541	\$ 25,990	\$ 20,917	\$ 17,880
2018	8,156	15,777	26,512	-	17,880
2019	8,156	16,029	27,066	-	8,430
2020	8,156	16,296	27,656	-	-
2021	8,156	16,579	-	-	-
2022-2026	81,563	60,524	-	-	-
2027-2031	16,313	-	-	-	-
Total	<u>\$ 138,656</u>	<u>\$ 261,794</u>	<u>\$ 107,224</u>	<u>\$ 20,917</u>	<u>\$ 44,190</u>

Note 9– Contingent Liabilities

The District had no contingent liabilities as of December 31, 2016.

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements of the Leading Creek Conservancy District, Meigs County, (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2017. We noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

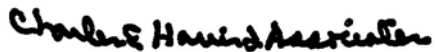
As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2016-001.

Entity's Response to Finding

The District's response to the finding identified on our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
July 25, 2017

**LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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**FINDING NUMBER 2016-001
Noncompliance Citation**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated. We noted the District had disbursements plus encumbrances that exceeded appropriations at December 31, 2016 and 2015:

Fund	Approved Appropriations	Budgetary Disbursements	Variance
Operating Fund	\$1,379,659	\$1,449,644	\$ (69,985)

Fund	Approved Appropriations	Budgetary Disbursements	Variance
Operating Fund	\$1,361,938	\$1,451,371	\$ (89,433)

The Fiscal Officer should deny payment requests exceeding appropriations, as required by Ohio Rev. Code Section 5705.41(B). We recommend the Board and the Treasurer compare expenditures to appropriations on a regular basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

Management's Response:

See Corrective Action Plan.

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LEADING CREEK CONSERVANCY DISTRICT
 MEIGS COUNTY
 CORRECTIVE ACTION PLAN
 FOR THE YEARS ENDING DECEMBER 31, 2016 AND 2015

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2016-001	Treasurer and Board will amend appropriations as needed.	Immediately	Linda Vaughn, Treasurer

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Dave Yost • 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
NOVEMBER 9, 2017