



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Wabash River Conservancy District  
Mercer and Darke Counties  
871 Meiring Road  
Fort Recovery, Ohio 45846

To the Board of Directors:

We have audited the accompanying financial statements of the Wabash River Conservancy District, Mercer and Darke Counties, Ohio, (the District) as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the District as of December 31, 1999 and 1998, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2000 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 grants.

This report is intended solely for the information and use of the management, Board of Directors and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

April 28, 2000

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<b>1999</b>
<b>Cash Receipts:</b>	
Special Assessment	27,321
Interest	571
Miscellaneous	15
Total Cash Receipts	27,907
<b>Cash Disbursements:</b>	
Personal Services	4,282
Machine Hire	613
Labor	3,231
Special Projects	0
Equipment	236
Material	0
Miscellaneous	15
Total Cash Disbursements	8,377
Total Cash Receipts Over/(Under) Cash Disbursements	19,530
Cash Balance, January 1	9,802
<b>Cash Balance, December 31</b>	<b>\$29,332</b>

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<b>1998</b>
<b>Cash Receipts:</b>	
Special Assessment	27,097
Interest	362
Miscellaneous	540
Total Cash Receipts	27,999
<b>Cash Disbursements:</b>	
Personal Services	5,412
Machine Hire	550
Labor	4,117
Special Projects	18,101
Equipment	0
Material	351
Miscellaneous	55
Total Cash Disbursements	28,586
Total Cash Receipts Over/(Under) Cash Disbursements	(587)
Cash Balance, January 1	10,389
<b>Cash Balance, December 31</b>	<b>\$9,802</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Wabash River Conservancy District, Mercer and Darke Counties, (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 appointed by the Court of Common Pleas. The District provides conservation and flood control to Mercer and Darke Counties.

The District's management believes these 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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

The District does not hold any interest in investments.

**D. Budgetary Process**

**1. Appropriations**

The Board must approve appropriation measures at or before the beginning of each fiscal year and must also approve any subsequent amendments. Total appropriations may not exceed the unencumbered balance plus estimated revenues.

**2. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District did not use the encumbrance method of accounting.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**2. CASH AND INVESTMENTS**

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$29,332	\$9,802

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

<b>1999 Budgeted vs. Actual Receipts</b>		
<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
\$27,459	\$27,907	\$448

<b>1999 Budgeted vs. Actual Budgetary Basis Expenditures</b>		
<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
\$37,261	\$8,377	\$28,884

<b>1998 Budgeted vs. Actual Receipts</b>		
<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
\$27,676	\$27,999	\$323

<b>1998 Budgeted vs. Actual Budgetary Basis Expenditures</b>		
<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
\$38,065	\$28,586	\$9,479

**4. RISK MANAGEMENT**

The District has obtained commercial insurance for the following risks:

- Commercial general liability
- Commercial Inland Marine

The District is uninsured for the following risks:

- Errors and omissions

**5. CONTINGENT LIABILITIES**

The District has been issued an administrative finding by the Ohio Environmental Protection Agency (OEPA) in the amount of \$59,328 and costs involved in the restoration of the river to the original condition. The matter concerns work done on the Wabash River in the absence of Corp of Engineers and OEPA permits. As of April 21, 2000, the matter has a pending compromise. In the compromise, the OEPA would forego any penalty and assist the District with technicians to oversee any future work. The District would be responsible for the operating costs involved with the restoration.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Wabash River Conservancy District  
Mercer and Darke Counties  
871 Meiring Road  
Fort Recovery, Ohio 45846

To the Board of Directors:

We have audited the accompanying financial statements of the Wabash River Conservancy District, Mercer and Darke Counties, Ohio (the District), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 28, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-20254 - 001, 1999-20254-002, and 1999-20254-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 28, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A Reportable condition is described in the accompanying schedule of findings as item 1999-20254-004.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 28, 2000.

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

**Jim Petro**  
Auditor of State

April 28, 2000

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

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

<b>Finding Number</b>	1999-20254-001
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Ohio Rev. Code Section 6101.44 states 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 certification or encumbrance procedures.

The District should review section 6101.44 and implement procedures for certification of funds.

<b>Finding Number</b>	1999-20254-002
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Ohio Rev. Code Section 6106.16 states that all contracts which exceed fifteen thousand dollars shall be advertised after notice calling for bids has been published once a week for three consecutive weeks completed on date of last publication, in at least one newspaper of general circulation within the conservancy district where the work is done. Further, the board of directors of the conservancy district may let the contract to the lowest or best bidder who meets the requirements of Section 153.54 of the Revised Code. The contract shall be in writing and shall be accompanied by or refer to plans and specifications for work to be performed for the work to be done. The contract shall be approved by the board and signed by the chairman of the board and by the contractor and shall be executed in duplicate. In case of sudden emergency when it is necessary in order to protect the district, the advertising of contracts may be waived by the board, with approval of the court or judge of the court of common pleas of the county in which the office of the district is located.

No supporting documentation could be located to indicate that a written contract for the spraying of the Wabash River from Route 705 to Township Line Road had been made by Board approval and signed by the chairman. The project exceeded \$15,000 and there was no evidence of advertisement for bids or review of bids for the selection of the lowest or best bidder.

<b>Finding Number</b>	1999-20254-003
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Ohio Rev. Code Section 6101.44 states that at or before the opening of each fiscal year, the board shall adopt a resolution making appropriations for the ensuing year. Such appropriation resolution may be amended or supplemented by the board.

The 1999 appropriation resolution was not approved until April 3, 1999 per the Board minutes. Approximately seventeen percent of the District's expenditures for 1999 were made prior to the passage of the appropriation resolution without a temporary appropriation resolution in effect.

The Directors should implement procedures to ensure the annual appropriation resolution is approved by the required date.

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	1999-20254-004
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**Supporting Documentation**

Approximately ten percent of checks issued did not have supporting invoices. Reimbursements for telephone calls, supplies, and other items indicated as miscellaneous made by the Board or Secretary are not evidenced by supporting documentation, i.e. telephone bill or receipt. Also, invoices are not being defaced when paid on a consistent basis.

These weaknesses could allow for the possibility of funds being diverted, duplication of payment, or errors and irregularities to occur without being detected in a timely manner.

The District should evidence all vouchers being paid by the original invoice in order to verify the obligations of the District. The invoice should be defaced when paid (i.e, marked PAID).

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 1999 AND 1998**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u> ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1997-20254-001	ORC 6101.44 (D)	No	Not Corrected, See Finding Number 1999-20254-001





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**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  
MAY 23, 2000**