

Leading Creek Conservancy District

Meigs County

Regular Audit

January 1 , 1999 Through December 31, 2000

Fiscal Year Audited Under GAGAS: 1999 and 2000

Balestra & Company

CERTIFIED PUBLIC ACCOUNTANTS

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JIM PETRO, AUDITOR OF STATE

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Board of Directors
Leading Creek Conservancy District
Rutland, Ohio

We have reviewed the Independent Auditor's Report of the Leading Creek Conservancy District, Meigs County, prepared by Balestra & Company, for the audit period January 1, 1999 to December 31, 2000. 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.

JIM PETRO
Auditor of State

May 15, 2001

LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY
TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Auditor	
Financial Statements:	
Statement of Receipts, Disbursements and Changes in Fund Balance.....	1
Notes to the Financial Statements.....	2
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the Leading Creek Conservancy District, Meigs County, as of and for the years ended December 31, 2000 and 1999, as listed in the table of contents. These financial statements are the responsibility of the Leading Creek Conservancy 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 described in note 1, these financial statements were prepared on the cash receipts and disbursements basis of accounting, 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, investments and fund cash balance of the Leading Creek Conservancy District, as of December 31, 2000 and 1999, and its cash receipts and disbursements of the proprietary fund type for the years then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have issued our report dated April 11, 2001 on our consideration of the Leading Creek Conservancy District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Balestra & Company
Balestra & Company
CERTIFIED PUBLIC ACCOUNTANTS

April 11, 2001

LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
Receipts:		
Charges for Services	\$ 938,862	\$ 963,215
Other	<u>139,065</u>	<u>58,117</u>
Total Receipts	<u>1,077,927</u>	<u>1,021,332</u>
Disbursements:		
Salaries and wages	319,943	327,082
Contractual Services	302,018	180,970
Capital Outlay	18,828	0
Insurance	115,319	102,020
Utilities	68,165	68,977
Supplies and Materials	93,227	112,449
Maintenance	57,090	29,814
Legal Fees	496	0
Other	<u>20,696</u>	<u>25,823</u>
Total expenses	<u>995,782</u>	<u>847,135</u>
Operating income (loss)	82,145	174,197
Nonoperating Receipts/(Disbursements)		
Interest income	51,896	45,965
Grant proceeds	141,455	0
Principal repayment	(92,362)	(97,192)
Interest payments	<u>(56,971)</u>	<u>(89,798)</u>
Total Nonoperating Receipts/(Disbursements)	<u>44,018</u>	<u>(141,025)</u>
Net income (loss)	126,163	33,171
Fund balance, beginning of year	860,411	827,239
Fund balance, end of year	<u>\$ 986,574</u>	<u>\$ 860,411</u>

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

LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Leading Creek Conservancy District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Leading Creek Conservancy District is a conservancy district as defined by Sections 6101.01 to 6101.84, inclusive, of the Ohio revised Code. The District operates under an appointed Board of Directors (3 members) and is responsible for the provision of such services to the residents of the District.

B. BASIS OF ACCOUNTING

The District prepares its financial statements on a basis of cash receipts and disbursements. Consequently, certain receipts are recognized when received rather than when earned, and certain disbursements are recognized when paid rather than when the obligation is incurred. A general fixed asset account group and long-term debt account group are not recorded on the financial statements by the District under the basis of accounting used.

C. FUND ACCOUNTING

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with this type of fund is as follows:

PROPRIETARY FUNDS

Enterprise Funds

To account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. CASH AND INVESTMENTS

Certificates of deposit are valued at cost plus earned interest.

E. BUDGETARY PROCESS

The District is subject to the provisions of Section 6101.44 of the Ohio Revised Code. The Revised Code requires the district's fund to be budgeted annually.

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 District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 canceled, and reappropriated in the subsequent year.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. PROPERTY, PLANT, AND EQUIPMENT

Fixed assets acquired or constructed for the District are recorded as disbursements. Depreciation is not recorded for these fixed assets.

G. ACCUMULATED UNPAID VACATION AND SICK LEAVE

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 1. At December 31, 2000 management estimates that \$47,229 in sick leave and \$17,144 in vacation leave has been accumulated by the employees of the District. At December 31, 1999, management estimates that \$40,438 in sick leave and \$18,605 in vacation leave has been accumulated by employees of the District. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of December 31, 2000 and 1999.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Directors has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under limited circumstances, debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)

Deposits At December 31, 2000 and 1999, the carrying amount of the District's deposits was \$986,574 and \$860,411 and the bank balance was \$1,071,370 and \$1,294,763. Of the bank balance:

1. \$300,000 and \$300,000 respectively, was covered by federal depository insurance and was classified in category 1.
2. \$771,370 and \$994,763 respectively, was covered by collateral held by qualified third party trustees pledged to the District and its financial institution and is held in the name of the District and is classified as category 2.

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2000 and 1999 was as follows:

<u>2000 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Enterprise	\$1,175,600	\$1,271,278	\$95,678
<u>2000 Budgeted vs. Actual Budgetary Basis Disbursements</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Enterprise	\$970,800	\$1,145,115	(\$174,315)
<u>1999 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Enterprise	\$1,108,500	\$1,067,297	(\$41,203)
<u>1999 Budgeted vs. Actual Budgetary Basis Disbursements</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Enterprise	\$1,103,400	\$1,034,125	\$69,275

NOTE 4 - INSURANCE

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. The data processing equipment is 100% insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT

The District has the following long-term debt at December 31, 2000 and 1999:

	2000	1999
5.00% note payable FmHA, due in January 2013, secured by property and the District's revenue	\$ 974,000	\$ 1,032,000
5.75% note payable FmHA, due in 2013, secured by property and the District's revenue	190,000	201,000
6.36% note payable OWDA, payable in yearly installments of \$28,284, due in January 2021	315,094	322,842
5.57% mortgage note payable People's Bank, payable in monthly installments of \$1,417, due in December 2001	16,475	32,089
Total long-term debt	\$ 1,495,569	\$ 1,587,931

The annual requirements to amortize all bonded debt outstanding as of December 31, 2000 including interest payments of \$820,601 are as follows:

Year Ending December 31	FmHA Notes Payable	OWDA Notes Payable	People's Bank Mortgage Payable	Total Notes Payable
2001	\$ 132,157	\$ 28,284	\$ 16,970	\$ 177,411
2002	131,625	28,284	0	159,909
2003	131,943	28,284	0	160,227
2004	133,053	28,284	0	161,337
2005	132,905	28,284	0	161,189
Thereafter	1,057,692	438,405	0	1,496,097
Totals	\$ 1,719,375	\$ 579,825	\$ 16,970	\$ 2,316,170

LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6- PENSION PLAN

Public Employees Retirement System

1. Pension Benefit Obligation

All employees of the District participate in the Public Employees Retirement System of Ohio (the "PERS of Ohio"), a cost-sharing multiple employer defined benefit pension plan. PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for employees is 8.50%. The 2000 employer rate for local government employer units was 10.84%, of covered payroll, 6.54% to fund the pension benefit obligation and 4.3% to fund health care. The contribution requirements of plan members and the Water District are established and may be amended by the Public Employees Retirement Board. The District's contributions to the PERS of Ohio for the year ending December 31, 1998, 1999, and 2000 was \$32,227, \$36,362 and \$36,985 respectively which was equal to the required contributions.

2. Other Postemployment Benefits

In addition to the pension benefit obligation described above, the PERS of Ohio provides postemployment health care benefits to age service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions and requires employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 1998 employer contribution rate (identified above) that was used to fund health care for the years 1999 and 2000 was \$14,425 and \$14,672 respectively, 4.3% of covered payroll.

The health inflation and significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1999. There were 401,339 active contributing participants in the PERS of Ohio as of December 31, 1999. An entry age normal actuarial cost method of valuation was used in determining the present value of benefit liabilities and normal cost. The difference between assumed and actual experience (actuarial gains and losses) became part of unfunded actuarial accrued liability. Short-term securities consisting of commercial paper and U.S. Treasury obligations were carried at cost, which approximates market value. Equity securities, fixed income investments and investments in real estate were carried at market. Using the smoothed market approach for actuarial valuation purposes, assets were adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1994 was 7.75%. An annual increase of 5.25% compounded annually was the base portion of the individual pay increase assumption, which assumed no change in the number of active employees. Additionally, annual pay increases over and above the 4.75% base increase were assumed to range from 0.54% to 5.10%. Health care premiums were assumed to increase 4.75% annually.

The "Other Postemployment Benefit Obligation" at December 31, 1999 for PERS of Ohio as a whole determined through an actuarial valuation performed as of that date was \$12,473,000,000. The PERS of Ohio's net assets available for other postemployment benefits as of that date was \$10,805,500 leaving an unfunded actuarial accrued liability based on the actuarial cost method of \$1,668,100,000.

LEADING CREEK CONSERVANCY DISTRICT
MEIGS COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - OTHER REVENUES

Other revenues for both years of the audit period included receipts from the Southern Ohio Coal Company (SOCCO). These receipts are in conjunction with an agreement between SOCCO and the District in which SOCCO pays for damages to the District's water system caused by its mining operations. This includes damage to water lines, wells and storage tanks. In 2000 and 1999 these receipts amounted to \$30,490 and \$9,158, respectively, which are 22% and 16% (rounded) of other revenues, respectively.

Other revenues for both years of the audit also included receipts from the Vinton County Commissioners. These receipts are intended to cover portions of the cost of extending water lines along roads which enter into Vinton County. In 1999 these receipts amounted to 33,446, which are 58% of other revenues.

NOTE 8 - CONTINGENCIES

Litigation

The Leading Creek Conservancy District is currently not party to any pending litigation.

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**REPORT ON COMPLIANCE ON AND INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the Leading Creek Conservancy District, Meigs County, Ohio (the District), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 11, 2001. We conducted our audits 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 the 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of non-compliance that we issued in a separate letter dated April 11, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated April 11, 2001.

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

Balestra & Company
Balestra & Company
CERTIFIED PUBLIC ACCOUNTANTS
April 11, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
MAY 24, 2001**