



**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Maumee Watershed Conservancy District
Defiance County
1464 Pinehurst Drive
Defiance, Ohio 43512-8670

To the Board of Directors:

We have audited the accompanying financial statements of the Maumee Watershed Conservancy District, Defiance County, Ohio, (the District) as of and for the year ended December 31, 1999. 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 combined cash balances of the District as of December 31, 1999, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 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 management, the 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

February 22, 2000

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:				
Intergovernmental Receipts			\$81,942	\$81,942
Special Assessments	\$226,406	\$172,221	48,713	447,340
Interest	23,704	3,534	159	27,397
Miscellaneous	20,119		300	20,419
	<u>270,229</u>	<u>175,755</u>	<u>131,114</u>	<u>577,098</u>
Total Cash Receipts				
Cash Disbursements:				
Maintenance - Channels and Structures	67,268			67,268
Capital Outlay			114,829	114,829
Administration	2,799			2,799
Salaries	160,985			160,985
Miscellaneous	82,659		200	82,859
Debt Service				
Principal Retirement		145,000	233,000	378,000
Interest and Fiscal Charges		45,100	8,464	53,564
	<u>313,711</u>	<u>190,100</u>	<u>356,493</u>	<u>860,304</u>
Total Cash Disbursements				
Total Cash Disbursements Over Cash Receipts	<u>(43,482)</u>	<u>(14,345)</u>	<u>(225,379)</u>	<u>(283,206)</u>
Other Financing Receipts/(Disbursements):				
Proceeds of Debt		14,346	9,160	23,506
Transfers - In	11,541		217,464	229,005
Transfers - Out	<u>(229,005)</u>			<u>(229,005)</u>
	<u>(217,464)</u>	<u>14,346</u>	<u>226,624</u>	<u>23,506</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(260,946)	1	1,245	(259,700)
Cash Balance, January 1	536,119		1,755	537,874
Cash Balance, December 31	<u>\$275,173</u>	<u>\$1</u>	<u>\$3,000</u>	<u>\$278,174</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Maumee Watershed Conservancy District, Defiance County, (the District) is a body corporate and politic established for the purpose of management and conservation of soil and water resources thus exercising 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 flood prevention and management, land waste reclamation, channel regulation, water conservation and irrigation.

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. 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit and the repurchase agreement are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Except gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

- 1. Special Revenue Funds** - These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

Maintenance Fund Little Auglaize - This fund receives special assessment monies for the operation and maintenance of the Little Auglaize project and current expenses of the District.

Preliminary Fund - This fund receives property assessments. It is used to account for expenditures associated with initiating future works projects.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

- 2. Debt Service Funds** - The debt service fund is used to accumulate resources for the payment of bond indebtedness related to various watershed projects. The District had one fund which was used in this manner.

Bond Retirement Fund - This fund receives special assessment monies to make payments on the District's outstanding bond issue.

- 3. Capital Projects Funds** - These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The District had one capital project fund.

Little Auglaize Improvement Fund - This fund receives proceeds of federal grant monies and special assessment monies. The proceeds are being used for the acquisition or construction of properties, works, and the improvements of the District.

E. Budgetary Process

A budget of estimated cash receipts and disbursements is provided and approved by the Board of Directors for the period January 1 to December 31.

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. No money can be drawn from the treasury of the District, and no obligation for the expenditure of money can be incurred, except in pursuance of an appropriation by the Board.

2. Encumbrances

The District reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 1999 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>
Demand deposits	\$26,691
Certificates of deposit	<u>236,371</u>
Total deposits	263,062
Repurchase Agreement	<u>15,112</u>
Total deposits and investments	<u><u>\$278,174</u></u>

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

2. CASH AND INVESTMENTS (Continued)

A. Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

B. Investments: The District has entered into a repurchase agreement with the Mid Am Bank (the Bank). The Bank has agreed to purchase investments in amounts exceeding \$25,000 from the District's primary deposit account. The investments are an obligation of the Bank collateralized by underlying U.S. Government securities.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 1999 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Special Revenue	\$483,178	\$281,770	(\$201,408)
Debt Service	190,100	190,101	1
Capital Projects	327,100	357,738	30,638
Total	\$1,000,378	\$829,609	(\$170,769)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue	\$483,178	\$542,716	(\$59,538)
Debt Service	190,100	190,100	0
Capital Projects	327,100	356,493	(29,393)
Total	\$1,000,378	\$1,089,309	(\$88,931)

The District did not comply with Ohio Revised Code § 6101.44, which requires actual expenditures to be within appropriations.

4. DEBT

Debt outstanding at December 31, 1999:

	Principal	Interest Rate
Loan Agreement	\$23,506	8.25%
Special Assessment Bonds	675,000	5.50%
Total	\$698,506	

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

4. DEBT (Continued)

The loan consists of a one-year agreement with a local banking institution with a credit line of \$30,075 and an initial interest rate of 8.25 percent. The District borrowed \$23,506 during fiscal 1999.

The outstanding special assessment bonds relate to various district projects. The bonds are special obligations of the District and are only payable from the collection of special assessments levied on certain property benefitted by the projects. The bonds are repaid in semiannual installments, including interest, over 15 years.

Amortization of the special assessment bonds, including interest, is scheduled as follows:

Year ending December 31:	Bonds
2000	\$152,125
2001	145,800
2002	139,475
2003	98,150
2004	93,750
Subsequent	184,850
Total	\$814,150

5. RETIREMENT SYSTEM

The District's full-time 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 postretirement 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 1999, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

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

The District also provides health insurance and dental and vision coverage to full-time employees through a private carrier.



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

Maumee Watershed Conservancy District
Defiance County
1464 Pinehurst Drive
Defiance, Ohio 43512-8670

To the Board of Directors:

We have audited the accompanying financial statements of the Maumee Watershed Conservancy District, Defiance County, Ohio (the District) as of and for the year ended December 31, 1999, and have issued our report thereon dated February 22, 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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-20120-001.

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 management of the District in a separate letter dated February 22, 2000.

Maumee Watershed Conservancy District
Defiance County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*

This report is intended for the information and use of the management and the 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

February 22, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-20120-001

Noncompliance Citation

Ohio Revised Code § 6101.44 states that no money shall be drawn from the treasury of the district, and no obligation for the expenditure of money shall be incurred, except in pursuance of an appropriation by the board. This prohibition does not apply to funds maintained at the place of payment by the treasurer of the conservancy district for the payment of maturing bonds and notes and interest thereon in accordance with § 6101.51 of the Revised Code.

Disbursements exceeded appropriations by \$59,538 in the Special Revenue Fund Type. This represents transfers made out of the Preliminary Fund and the Maintenance Fund-Little Auglaize that had never been budgeted. Allowing expenditures to exceed appropriations could result in deficit fund balances. Whenever the District anticipates they will spend more than what was originally budgeted the Board should modify appropriations accordingly before making such expenditures.



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MAUMEE WATERSHED CONSERVANCY DISTRICT

DEFIANCE 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
MARCH 21, 2000**