



**MAUMEE WATERSHED CONSERVANCY DISTRICT  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2000**



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

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**STATE OF OHIO**



**MAUMEE WATERSHED CONSERVANCY DISTRICT  
DEFIANCE COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

## 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 Maumee Watershed Conservancy District, Defiance County, Ohio, (the District) as of and for the year ended December 31, 2000. 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 fund cash balances of the District as of December 31, 2000, 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 May 3, 2001 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. 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.

This report is intended solely for the information and use of the audit committee, 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

May 3, 2001

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**MAUMEE WATERSHED CONSERVANCY DISTRICT  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Intergovernmental Revenues			\$5,202	\$5,202
Special Assessments	\$229,171	\$181,069	22,288	432,528
Interest	16,988	4,476	31	21,495
Miscellaneous	1,540			1,540
	<u>247,699</u>	<u>185,545</u>	<u>27,521</u>	<u>460,765</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Salaries	87,888			87,888
Administration	3,026			3,026
Repairs and Maintenance	83,311			83,311
Capital Outlay			6,156	6,156
Repayment of Debt		152,125	24,203	176,328
Miscellaneous	91,032		63	91,095
	<u>265,257</u>	<u>152,125</u>	<u>30,422</u>	<u>447,804</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(17,558)</u>	<u>33,420</u>	<u>(2,901)</u>	<u>12,961</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers - In	14,644			14,644
Transfers - Out	(14,644)			(14,644)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(17,558)	33,420	(2,901)	12,961
Fund Cash Balances, January 1	<u>275,173</u>	<u>1</u>	<u>3,000</u>	<u>278,174</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$257,615</b></u>	<u><b>\$33,421</b></u>	<u><b>\$99</b></u>	<u><b>\$291,135</b></u>

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

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**MAUMEE WATERSHED CONSERVANCY DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Maumee Watershed Conservancy District, Defiance 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 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 to certain areas within Paulding, Putnam, Mercer, Wood and Van Wert 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**

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.

**MAUMEE WATERSHED CONSERVANCY DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(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. The District did not encumber all commitments required by Ohio law. No material unrecorded encumbrances were outstanding at December 31.

A summary of 2000 budgetary activity appears in Note 3.

**2. CASH AND INVESTMENTS**

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

	<b><u>2000</u></b>
Demand deposits	\$30,682
Certificates of deposit	<u>215,325</u>
Total deposits	246,007
Repurchase Agreement	<u>45,128</u>
Total deposits and investments	<u><u>\$291,135</u></u>

**MAUMEE WATERSHED CONSERVANCY DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

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

**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, 2000 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Special Revenue	\$383,036	\$262,343	(\$120,693)
Debt Service	152,125	185,545	33,420
Capital Projects	36,305	27,521	(8,784)
Total	\$571,466	\$475,409	(\$96,057)

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue	\$383,036	\$279,901	\$103,135
Debt Service	152,125	152,125	0
Capital Projects	36,305	30,422	5,883
Total	\$571,466	\$462,448	\$109,018

**4. DEBT**

Debt outstanding at December 31, 2000

	Principal	Interest Rate
Special Assessment Bonds	\$560,000	5.50%

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.

**MAUMEE WATERSHED CONSERVANCY DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

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

Year ending <u>December 31:</u>	<u>Bonds</u>
2001	\$145,800
2002	139,475
2003	98,150
2004	93,750
2005	89,350
Subsequent	<u>95,500</u>
Total	<u><u>\$662,025</u></u>

**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 2000, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 10.84% of participants' gross salaries. The District has paid all contributions required through December 31, 2000.

**6. RISK MANAGEMENT**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- 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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JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

## 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 Maumee Watershed Conservancy District, Defiance County, Ohio, (the District) as of and for the year ended December 31, 2000, and have issued our report thereon dated May 3, 2001. 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 2000-20120-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 3, 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 another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 3, 2001.

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 audit committee, 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

May 3, 2001

**MAUMEE WATERSHED CONSERVANCY DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2000-20120-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
  
- B. Concerning amounts less than \$1,000, the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

This code section states that fiscal officers may prepare so-called "regular blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current fiscal year. The regular blanket certificates may, but need not, be limited to a specific vendor. Only one regular blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

In addition to regular blanket certificates, a subdivision's fiscal officer may also issue so-called "super blanket" certificates for amounts over \$5,000 for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The Secretary-Treasurer did not make the proper certification of funds for 28 percent of the transactions tested during the audit period. We recommend that the Secretary-Treasurer certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by District officials. The certification can also be made through the use of "regular blanket", "then and now" or "super blanket" certificates. In addition, 45 percent of blanket certificates tested exceeded three months. The Secretary-Treasurer should monitor blanket certificates closely to ensure that the three month period is not exceeded.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
MAY 22, 2001**