



**Auditor of State
Betty Montgomery**

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, (the District) as of and for the year ended December 31, 2003. 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 auditing standards generally accepted in the United States of America 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, 2003, 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 March 3, 2004 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, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 3, 2004

**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, 2003

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|-------------------------|-----------------------------|---|
| | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Special Assessments | \$ 301,220 | \$ 54,242 | \$ 100,000 | \$ 455,462 |
| Grants | 7,796 | - | - | 7,796 |
| Interest Earnings | 6,370 | 1,752 | 92 | 8,214 |
| Miscellaneous | 112 | - | - | 112 |
| | <u>315,498</u> | <u>55,994</u> | <u>100,092</u> | <u>471,584</u> |
| Total Cash Receipts | | | | |
| | <u>315,498</u> | <u>55,994</u> | <u>100,092</u> | <u>471,584</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Maintenance - Channels and Structures | 71,920 | - | - | 71,920 |
| Administration | 10,137 | - | 12 | 10,149 |
| Salaries | 151,208 | - | - | 151,208 |
| Miscellaneous | 53,252 | - | - | 53,252 |
| Debt Service: | | | | |
| Redemption of Principal | - | 80,000 | - | 80,000 |
| Interest | - | 18,150 | - | 18,150 |
| | <u>286,517</u> | <u>98,150</u> | <u>12</u> | <u>384,679</u> |
| Total Cash Disbursements | | | | |
| | <u>286,517</u> | <u>98,150</u> | <u>12</u> | <u>384,679</u> |
| Total Cash Receipts Over/ (Under) Cash Disbursements | <u>28,981</u> | <u>(42,156)</u> | <u>100,080</u> | <u>86,905</u> |
| Other Financing Receipts and (Disbursements): | | | | |
| Transfers-In | 100,000 | - | - | 100,000 |
| Transfers-Out | - | - | (100,000) | (100,000) |
| | <u>100,000</u> | <u>-</u> | <u>(100,000)</u> | <u>-</u> |
| Total Other Financing Receipts/(Disbursements) | | | | |
| | <u>100,000</u> | <u>-</u> | <u>(100,000)</u> | <u>-</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 128,981 | (42,156) | 80 | 86,905 |
| Fund Cash Balances, January 1 | <u>271,951</u> | <u>71,982</u> | <u>2,622</u> | <u>346,555</u> |
| Fund Cash Balances, December 31 | <u>\$ 400,932</u> | <u>\$ 29,826</u> | <u>\$ 2,702</u> | <u>\$ 433,460</u> |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

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 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 of Directors. The Board members are 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 Mercer, Paulding, Putnam, Van Wert and Wood 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

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

Certificates of deposit are valued at cost.

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

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

expenditure for special 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 work projects.

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 Project 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

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund account line item level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

A summary of 2003 budgetary activity appears in Note 3.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

2. CASH AND INVESTMENTS

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

| | |
|-------------------------|--------------------------|
| | <u>2003</u> |
| Demand deposits | \$ 150,960 |
| Certificates of deposit | 282,500 |
| Total deposits | <u><u>\$ 433,460</u></u> |

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

2003 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|--------------------|
| Special Revenue | \$ 409,655 | \$ 415,498 | \$ 5,843 |
| Debt Service | 56,756 | 55,994 | (762) |
| Capital Projects | 155,213 | 100,092 | (55,121) |
| Total | <u>\$ 621,624</u> | <u>\$ 571,584</u> | <u>\$ (50,040)</u> |

2003 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------------|
| Special Revenue | \$ 330,700 | \$ 286,517 | \$ 44,183 |
| Debt Service | 98,150 | 98,150 | |
| Capital Projects | 100,535 | 100,012 | 523 |
| Total | <u>\$ 529,385</u> | <u>\$ 484,679</u> | <u>\$ 44,706</u> |

4. DEBT

Debt outstanding at December 31, 2003

| | | |
|--------------------------|-------------------|----------------------|
| | <u>Principal</u> | <u>Interest Rate</u> |
| Special Assessment Bonds | <u>\$ 250,000</u> | 5.50% |

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

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

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

| Year ending December 31: | Bonds |
|--------------------------|------------|
| 2004 | \$ 93,750 |
| 2005 | 89,350 |
| 2006 | 84,950 |
| 2007 | 10,550 |
| Total | \$ 278,600 |

5. 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. 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 2003, OPERS member employees contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries through December 31, 2003. The District has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

The Maumee Watershed Conservancy District has obtained commercial insurance for the following risks:

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

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, (the District) as of and for the year ended December 31, 2003, and have issued our report thereon dated March 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated March 3, 2004.

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 March 3, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 3, 2004

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|-------------------|---|---------------------|--|
| 2002-20120-001 | Ohio Revised Code § 5705.41(B), expenditures exceeding appropriations | Yes | |

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**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140
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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
MARCH 30, 2004**