



**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

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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 (the District) as of and for the year ended December 31, 2001. 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, 2001, 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 February 28, 2002 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.

Maumee Watershed Conservancy District
Defiance County
Report of Independent Accountants
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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.

Jim Petro
Auditor of State

February 28, 2002

**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, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:				
Special Assessments	\$240,219	\$168,857		\$409,076
Earnings on Investments	15,817	6,258	\$2	22,077
Other Revenue	1,896			1,896
	<u>257,932</u>	<u>175,115</u>	<u>2</u>	<u>433,049</u>
Total Cash Receipts				
	<u>257,932</u>	<u>175,115</u>	<u>2</u>	<u>433,049</u>
Cash Disbursements:				
Salaries	131,543			131,543
Administration	5,888			5,888
Repairs and Maintenance	62,388			62,388
Repayment of Debt		145,800		145,800
Miscellaneous	49,726		10	49,736
	<u>249,545</u>	<u>145,800</u>	<u>10</u>	<u>395,355</u>
Total Cash Disbursements				
	<u>249,545</u>	<u>145,800</u>	<u>10</u>	<u>395,355</u>
Total Cash Receipts Over/(Under)				
Cash Disbursements	<u>8,387</u>	<u>29,315</u>	<u>(8)</u>	<u>37,694</u>
Fund Cash Balances, January 1	<u>257,615</u>	<u>33,421</u>	<u>99</u>	<u>291,135</u>
Fund Cash Balances, December 31	<u>\$266,002</u>	<u>\$62,736</u>	<u>\$91</u>	<u>\$328,829</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, 2001**

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 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 with Paulding, 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

Investments are included in fund cash balances. 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 and repurchase agreements 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 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, 2001
(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.

D. Budgetary Process

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

E. 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.

F. Estimated Resources

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

G. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 budgetary activity appears in Note 3.

H. 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.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

2. CASH AND INVESTMENTS

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

	2001
Demand deposits	\$27,277
Certificates of deposit	251,500
Total deposits	278,777
Repurchase agreement	50,052
Total deposits and investments	\$328,829

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 Sky 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 ended December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Special Revenue	\$250,950	\$257,932	\$6,982
Debt Service Fund	177,408	175,115	(2,293)
Capital Projects	2	2	
Total	\$428,360	\$433,049	\$4,689

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue	\$283,509	\$249,545	\$33,964
Debt Service	145,800	145,800	
Capital Projects	100	10	90
Total	\$429,409	\$395,355	\$34,054

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

4. DEBT

Debt outstanding at December 31, 2001

	Principal	Interest Rate
Special Assessment Bonds	\$445,000	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.

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

Year ending December 31:	Bonds
2002	\$139,475
2003	98,150
2004	93,750
2005	89,350
2006	84,950
Subsequent	10,550
Total	\$516,225

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 2001 member employees contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2001. The District has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

Commercial Insurance

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

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



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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 (the District) as of and for the year ended December 31, 2001, and have issued our report thereon dated February 28, 2002. 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 certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 28, 2002.

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 a 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 February 28, 2002.

Maumee Watershed Conservancy District
Defiance County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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.

Jim Petro
Auditor of State

February 28, 2002

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Partially Corrected
2000-20120-001	Revised Code § 5705.41(D), failure to properly certify funds	No	We reported this finding in the management letter. In 2002, the District will monitor disbursements more closely and use "then and now" certificates in order to further reduce the number of uncertified disbursements.



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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, 2002**