



**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 Maumee Watershed Conservancy District, Defiance County, (the District) as of and for the year ended December 31, 2004. 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, 2004, 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 29, 2005 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 grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 29, 2005

**MAUMEE WATERSHED CONSERVANCY DISTRICT  
DEFIANCE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Special Assessments	\$ 307,759	\$ 111,445		\$ 419,204
Interest Earnings	3,913	915	\$ 14	4,842
Miscellaneous	35			35
	<u>311,707</u>	<u>112,360</u>	<u>14</u>	<u>424,081</u>
<b>Total Cash Receipts</b>				
	<u>311,707</u>	<u>112,360</u>	<u>14</u>	<u>424,081</u>
<b>Cash Disbursements:</b>				
Maintenance - Channels and Structures	113,891			113,891
Administration	23,469		12	23,481
Salaries	160,147			160,147
Miscellaneous	105,341			105,341
Debt Service				
Redemption of Principal		80,000		80,000
Interest		13,750		13,750
	<u>402,848</u>	<u>93,750</u>	<u>12</u>	<u>496,610</u>
<b>Total Cash Disbursements</b>				
	<u>402,848</u>	<u>93,750</u>	<u>12</u>	<u>496,610</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	(91,141)	18,610	2	(72,529)
Cash Balance, January 1	<u>400,932</u>	<u>29,826</u>	<u>2,702</u>	<u>433,460</u>
<b>Cash Balance, December 31</b>	<u><b>\$ 309,791</b></u>	<u><b>\$ 48,436</b></u>	<u><b>\$ 2,704</b></u>	<u><b>\$ 360,931</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, 2004**

**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 is comprised of the following counties: Williams County, Defiance County, Wood County, Henry County, Fulton County, Lucas County, Hardin County, Shelby County, Auglaize County, Allen County, Mercer County, Paulding County, Putnam County, and Van Wert County.

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**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The District uses fund accounting to segregate cash that is 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 fund:

*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.

**MAUMEE WATERSHED CONSERVANCY DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(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 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 projects fund:

Improvement Fund Little Auglaize – This fund can receive proceeds of federal grant monies and special assessment monies and 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.

**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 canceled and reappropriated in the subsequent year.

A summary of 2004 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.

**MAUMEE WATERSHED CONSERVANCY DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**2. CASH**

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

	2004
Demand deposits	\$ 141,683
Certificates of deposit	219,248
Total deposits	\$ 360,931

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, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Special Revenue	\$ 313,477	\$ 311,707	\$ (1,770)
Debt Service	113,380	112,360	(1,020)
Capital Projects	48	14	(34)
Total	\$ 426,905	\$ 424,081	\$ (2,824)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue	\$ 478,278	\$ 402,848	\$ 75,430
Debt Service	93,750	93,750	
Capital Projects	550	12	538
Total	\$ 572,578	\$ 496,610	\$ 75,968

**4. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Special Assessment Bonds	\$ 170,000	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.

**MAUMEE WATERSHED CONSERVANCY DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

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

<u>Year ending December 31:</u>	<u>Bonds</u>
2005	\$ 89,350
2006	84,950
2007	<u>10,550</u>
Total	<u>\$ 184,850</u>

**5. RETIREMENT SYSTEM**

The District's 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 2004, 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. The District has paid all contributions required through December 31, 2004.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

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



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
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 financial statements of Maumee Watershed Conservancy District, Defiance County, (the District) as of and for the year ended December 31, 2004, and have issued our report thereon dated March 29, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to opine 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 reportable 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 caused by errors or fraud in amounts material to the financial statements we audit may occur and not be timely detected by employees when 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. In a separate letter to the District's management dated March 29, 2005, we reported other matters involving internal control over financial reporting.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards*.

Maumee Watershed Conservancy District  
Defiance County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
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We intend this report solely for the information and use of the audit committee, management, and Board of Directors. It is not intended for 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 29, 2005



**Auditor of State  
Betty Montgomery**

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 5, 2005**