



Dave Yost • Auditor of State

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Maumee Watershed Conservancy District, Defiance County, Ohio (the District), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of Maumee Watershed Conservancy District, Defiance County, Ohio, as of December 31, 2012, and the respective changes in cash financial position and the respective budgetary comparison for the Preliminary Fund, Grassy Creek Maintenance Fund, Little Auglaize Maintenance Fund, and St. Joe Maintenance Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2012, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2014, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

April 22, 2014

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**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED**

This discussion and analysis of Maumee Watershed Conservancy District's (the District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2012, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for 2012 are as follows:

- Net position of governmental activities decreased \$20,538, or 1.69 percent, an insignificant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the St. Joe Maintenance Fund; however, decreases affected most funds.
- The District's primary revenue source is special assessments. These receipts represent 95.6 percent of the total cash received for governmental activities during the year. Special assessment receipts for 2012 changed very little compared to 2011, however, the slight decrease between years was for the most part due to lack of payments.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District as a Whole

This annual report includes all activities for which Maumee Watershed Conservancy District is fiscally responsible. These activities, defined as the District's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of Maumee Watershed Conservancy District.

The statement of net position and the statement of activities reflect how the District did financially during 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the District's major local revenue source, which is special assessments.

In the statement of net position and the statement of activities, we report governmental activities, which include the District's basic services such as channel and structure maintenance. Special assessments finance most of these activities.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are reported in governmental funds.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The District's major governmental funds are the Preliminary Fund, Grassy Creek Maintenance Fund, Little Auglaize Maintenance Fund, and St. Joe Maintenance Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The District as a Whole

Table 1 provides a summary of the District's net position for 2012 compared to 2011 on a cash basis:

(Table 1)
Net Position

| | Governmental Activities | |
|---------------------------|-------------------------|-------------|
| | 2012 | 2011 |
| Assets | | |
| Cash and Cash Equivalents | \$1,195,637 | \$1,216,175 |
| Net Position | | |
| Restricted for: | | |
| Other Purposes | \$1,195,637 | \$1,216,175 |

As mentioned previously, net position of governmental activities decreased \$20,538, or 1.69 percent during 2012. The primary reason contributing to the decrease in cash balances was costs associated with major windstorm damage repair along the Little Auglaize River Watershed during the summer of 2012.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

Table 2 reflects the changes in net position on a cash basis in 2012 and 2011 for governmental activities.

(Table 2)
Changes in Net Position

| | Governmental Activities | |
|-------------------------------------|----------------------------|-------------|
| | 2012 | 2011 |
| Receipts: | | |
| Program Receipts: | | |
| Charges for Services and Sales | \$642,963 | \$645,730 |
| General Receipts: | | |
| Interest | 2,530 | 3,942 |
| Contributions/Donations | 26,694 | |
| Miscellaneous | 392 | 374 |
| Total General Receipts | 29,616 | 4,316 |
| Total Receipts | 672,579 | 650,046 |
| Disbursements: | | |
| Maintenance - Channels & Structures | 338,997 | 179,104 |
| Administration | 72,384 | 60,755 |
| Salaries | 255,899 | 229,875 |
| Miscellaneous | 25,837 | 17,708 |
| Total Disbursements | 693,117 | 487,442 |
| Change in Net Position | (20,538) | 162,604 |
| Net Position, January 1 | 1,216,175 | 1,053,571 |
| Net Position, December 31 | \$1,195,637 | \$1,216,175 |

Program receipts represent 95.6 percent of total receipts and are comprised of special assessments paid by property owners within the Little Auglaize River, Grassy Creek, and St. Joseph River Watersheds.

General receipts represent 4.4 percent of the District's total receipts, and of this amount, approximately 4 percent comprised unanticipated contributions received in 2012 due to the closure of the National Resource Conservation District/donations received. Interest earnings and miscellaneous receipts make up the remaining portion of the District's general receipts, which are very insignificant and somewhat unpredictable revenue sources.

Disbursements for Maintenance – Channels and Structures represent the costs for maintenance, repairs, and improvements to the watersheds within the District. Administration represents the overhead costs for running the District, other than payroll, and the support services provided for the other District activities. Salaries represent payroll and fringe benefits paid to the Board of Directors, management, and District personnel. Miscellaneous disbursements represent various miscellaneous costs not otherwise associated with the daily operations of the District. These costs are generally insignificant, unpredictable in nature, and can vary from year to year.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for maintenance of channels and structures and salaries, which account for 48.91 and 36.92 percent of all governmental disbursements, respectively. Administration also represents a fairly significant cost, about 10 percent. The next column of the Statement entitled Program Cash Receipts identifies amounts paid by people who are directly charged for the service that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

The District's Funds

(Table 3)
Governmental Activities

| | Total Cost of Services 2012 | Net Cost of Services 2012 | Total Cost of Services 2011 | Net Cost of Services 2011 |
|-------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Maintenance - Channels & Structures | \$338,997 | (\$303,966) | \$179,104 | (\$466,626) |
| Administration | 72,384 | 72,384 | 60,755 | 60,755 |
| Salaries | 255,899 | 255,899 | 229,875 | 229,875 |
| Miscellaneous | 25,837 | 25,837 | 17,708 | 17,708 |
| Total Expenses | \$693,117 | \$50,154 | \$487,442 | (\$158,288) |

Total governmental funds had receipts of \$672,579 and disbursements of \$693,117. The greatest changes within governmental funds occurred within the Little Auglaize Maintenance Fund and St. Joe Maintenance Fund.

The fund balance of the Little Auglaize Maintenance Fund decreased \$7,007 which was primarily due to overall disbursements exceeding overall receipts. Even though receipts increased 6.1 percent in the Little Auglaize Maintenance Fund from 2011, disbursements increased substantially more in 2012 (by 67.6 percent) due in large part to costs associated with major windstorm damage repair along the Little Auglaize River Watershed during the summer of 2012.

Similarly, the fund balance of the St. Joe Maintenance Fund decreased \$17,590 indicating that the fund is in a deficit spending situation. It was the recommendation of the District's management that a reduction in disbursements was preferable to looking for additional funds from other sources, with some reductions already evident. Even though receipts slightly increased by less than 1 percent from 2011 while disbursements decreased by 3 percent in 2012.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

Capital Assets

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on special assessments.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sandra J. Barnette, District Treasurer, Maumee Watershed Conservancy District, 1464 Pinehurst Drive, Defiance, Ohio 43512.

**Maumee Watershed Conservancy District
Defiance County**

*Statement of Net Position - Cash Basis
December 31, 2012*

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$1,195,637</u></u> |
| Net Position | |
| Restricted for: | |
| Other Purposes | <u><u>\$1,195,637</u></u> |

See accompanying notes to the basic financial statements

**Maumee Watershed Conservancy District
Defiance County**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2012*

| | <u>Cash Disbursements</u> | <u>Program Cash Receipts Charges for Services and Sales</u> | <u>Net (Disbursements) Receipts and Changes in Net Position Governmental Activities</u> |
|-------------------------------------|-------------------------------|--|--|
| Governmental Activities | | | |
| Maintenance - Channels & Structures | \$338,997 | \$642,963 | \$303,966 |
| Administration | 72,384 | | (72,384) |
| Salaries | 255,899 | | (255,899) |
| Miscellaneous | 25,837 | | (25,837) |
| Total | <u>\$693,117</u> | <u>\$642,963</u> | <u>(50,154)</u> |
| | | General Receipts | |
| | | Interest | 2,530 |
| | | Contributions/Donations | 26,694 |
| | | Miscellaneous | 392 |
| | | <i>Total General Receipts</i> | 29,616 |
| | | Change in Net Position | (20,538) |
| | | <i>Net Position Beginning of Year</i> | 1,216,175 |
| | | <i>Net Position End of Year</i> | <u>\$1,195,637</u> |

See accompanying notes to the basic financial statements

**Maumee Watershed Conservancy District
Defiance County**

*Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2012*

| | Preliminary Fund | Grassy Creek Maintenance Fund | Little Auglaize Maintenance Fund | St. Joe Maintenance Fund | Total Governmental Funds |
|--|---------------------|-------------------------------------|--|--------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$339,430</u> | <u>\$166,847</u> | <u>\$607,879</u> | <u>\$81,481</u> | <u>\$1,195,637</u> |
| Fund Balances | | | | | |
| Restricted | <u>\$339,430</u> | <u>\$166,847</u> | <u>\$607,879</u> | <u>\$81,481</u> | <u>\$1,195,637</u> |

See accompanying notes to the basic financial statements

**Maumee Watershed Conservancy District
Defiance County**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2012*

| | Preliminary Fund | Grassy Creek Maintenance Fund | Little Auglaize Maintenance Fund | St. Joe Maintenance Fund | Total Governmental Funds |
|--|-------------------------|-------------------------------------|--|--------------------------------|--------------------------------|
| Receipts | | | | | |
| Special Assessments | | \$91,180 | \$467,388 | \$84,395 | \$642,963 |
| Interest | \$945 | 243 | 1,133 | 209 | 2,530 |
| Contributions/Donations | | | 26,694 | | 26,694 |
| Miscellaneous | | 1 | 389 | 2 | 392 |
| <i>Total Receipts</i> | <u>945</u> | <u>91,424</u> | <u>495,604</u> | <u>84,606</u> | <u>672,579</u> |
| Disbursements | | | | | |
| Current: | | | | | |
| Maintenance- Channels & Structures | | 24,938 | 268,988 | 45,071 | 338,997 |
| Administration | 785 | 8,926 | 54,646 | 8,027 | 72,384 |
| Salaries | 2,529 | 46,676 | 160,018 | 46,676 | 255,899 |
| Miscellaneous | 193 | 4,263 | 18,959 | 2,422 | 25,837 |
| <i>Total Disbursements</i> | <u>3,507</u> | <u>84,803</u> | <u>502,611</u> | <u>102,196</u> | <u>693,117</u> |
| <i>Net Change in Fund Balances</i> | (2,562) | 6,621 | (7,007) | (17,590) | (20,538) |
| <i>Fund Balances Beginning of Year</i> | <u>341,992</u> | <u>160,226</u> | <u>614,886</u> | <u>99,071</u> | <u>1,216,175</u> |
| <i>Fund Balances End of Year</i> | <u><u>\$339,430</u></u> | <u><u>\$166,847</u></u> | <u><u>\$607,879</u></u> | <u><u>\$81,481</u></u> | <u><u>\$1,195,637</u></u> |

See accompanying notes to the basic financial statements

**Maumee Watershed Conservancy District
Defiance County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Preliminary Fund
For the Year Ended December 31, 2012*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|-------------------------|-------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Interest | \$596 | \$596 | \$945 | \$349 |
| Disbursements | | | | |
| Current: | | | | |
| Administration | 2,588 | 2,588 | 785 | 1,803 |
| Salaries | 2,667 | 2,667 | 2,529 | 138 |
| Miscellaneous | 194 | 194 | 193 | 1 |
| <i>Total Disbursements</i> | <u>5,449</u> | <u>5,449</u> | <u>3,507</u> | <u>1,942</u> |
| <i>Net Change in Fund Balance</i> | (4,853) | (4,853) | (2,562) | 2,291 |
| <i>Fund Balance Beginning of Year</i> | <u>341,992</u> | <u>341,992</u> | <u>341,992</u> | |
| <i>Fund Balance End of Year</i> | <u><u>\$337,139</u></u> | <u><u>\$337,139</u></u> | <u><u>\$339,430</u></u> | <u><u>\$2,291</u></u> |

See accompanying notes to the basic financial statements

**Maumee Watershed Conservancy District
Defiance County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Grassy Creek Maintenance Fund
For the Year Ended December 31, 2012*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|-----------|-----------|---|
| | Original | Final | | |
| Receipts | | | | |
| Special Assessments | \$87,692 | \$87,692 | \$91,180 | \$3,488 |
| Interest | 234 | 234 | 243 | 9 |
| Miscellaneous | 1 | 1 | 1 | |
| <i>Total Receipts</i> | 87,927 | 87,927 | 91,424 | 3,497 |
| Disbursements | | | | |
| Current: | | | | |
| Maintenance- Channels & Structures | 27,600 | 27,600 | 24,938 | 2,662 |
| Administration | 9,513 | 9,513 | 8,926 | 587 |
| Salaries | 50,208 | 50,208 | 46,676 | 3,532 |
| Miscellaneous | 3,980 | 4,294 | 4,263 | 31 |
| <i>Total Disbursements</i> | 91,301 | 91,615 | 84,803 | 6,812 |
| <i>Net Change in Fund Balance</i> | (3,374) | (3,688) | 6,621 | 10,309 |
| <i>Fund Balance Beginning of Year</i> | 160,226 | 160,226 | 160,226 | |
| <i>Fund Balance End of Year</i> | \$156,852 | \$156,538 | \$166,847 | \$10,309 |

See accompanying notes to the basic financial statements

**Maumee Watershed Conservancy District
Defiance County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Little Auglaize Maintenance Fund
For the Year Ended December 31, 2012*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|-------------------------|-------------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Special Assessments | \$446,579 | \$446,579 | \$467,388 | \$20,809 |
| Interest | 1,083 | 1,083 | 1,133 | 50 |
| Contributions/Donations | 25,506 | 25,506 | 26,694 | 1,188 |
| Miscellaneous | 372 | 372 | 389 | 17 |
| | | | | |
| <i>Total Receipts</i> | <u>473,540</u> | <u>473,540</u> | <u>495,604</u> | <u>22,064</u> |
| Disbursements | | | | |
| Current: | | | | |
| Maintenance- Channels & Structures | 190,000 | 292,621 | 268,988 | 23,633 |
| Administration | 59,454 | 59,454 | 54,646 | 4,808 |
| Salaries | 169,724 | 169,724 | 160,018 | 9,706 |
| Miscellaneous | 19,998 | 19,998 | 18,959 | 1,039 |
| | | | | |
| <i>Total Disbursements</i> | <u>439,176</u> | <u>541,797</u> | <u>502,611</u> | <u>39,186</u> |
| <i>Net Change in Fund Balance</i> | 34,364 | (68,257) | (7,007) | 61,250 |
| <i>Fund Balance Beginning of Year</i> | <u>614,886</u> | <u>614,886</u> | <u>614,886</u> | |
| <i>Fund Balance End of Year</i> | <u><u>\$649,250</u></u> | <u><u>\$546,629</u></u> | <u><u>\$607,879</u></u> | <u><u>\$61,250</u></u> |

See accompanying notes to the basic financial statements

**Maumee Watershed Conservancy District
Defiance County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
St. Joe Maintenance Fund
For the Year Ended December 31, 2012*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---------------------------------------|-------------------------|------------------------|------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Special Assessments | \$80,061 | \$80,061 | \$84,395 | \$4,334 |
| Interest | 198 | 198 | 209 | 11 |
| Miscellaneous | 2 | 2 | 2 | |
| <i>Total Receipts</i> | <u>80,261</u> | <u>80,261</u> | <u>84,606</u> | <u>4,345</u> |
| Disbursements | | | | |
| Current: | | | | |
| Maintenance- Channels & Structures | 63,400 | 63,400 | 45,071 | 18,329 |
| Administration | 8,545 | 8,545 | 8,027 | 518 |
| Salaries | 50,208 | 50,208 | 46,676 | 3,532 |
| Miscellaneous | 2,478 | 2,478 | 2,422 | 56 |
| <i>Total Disbursements</i> | <u>124,631</u> | <u>124,631</u> | <u>102,196</u> | <u>22,435</u> |
| <i>Net Change in Fund Balance</i> | (44,370) | (44,370) | (17,590) | 26,780 |
| <i>Fund Balance Beginning of Year</i> | <u>99,071</u> | <u>99,071</u> | <u>99,071</u> | |
| <i>Fund Balance End of Year</i> | <u><u>\$54,701</u></u> | <u><u>\$54,701</u></u> | <u><u>\$81,481</u></u> | <u><u>\$26,780</u></u> |

See accompanying notes to the basic financial statements

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Note 1 – Reporting Entity

Maumee Watershed Conservancy District, Defiance County, Ohio (the District), is a body politic and corporate established in 1960 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 is comprised of the following counties: Wood County, Williams County, Defiance 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 reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. 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, Wood, Williams, and Defiance Counties.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations for which the District authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. The District does not have any component units.

C. Public Entity Risk Pool

The District participates in the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 6 to the basic financial statements provides additional information for this entity.

The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. Governmental activities are primarily financed through special assessments. The statement of net position presents the cash balances of the governmental activities of the District at year end. The statement of activities compares disbursements with program receipts for each of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The various funds of the District are grouped into the governmental category.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Governmental Funds

The District classifies funds financed primarily from special assessment receipts as governmental funds. The following are the District's major governmental funds:

Preliminary Fund – This fund receives Little Auglaize improvement assessments, interest earnings, and other miscellaneous revenue for well as expenses associated with initiating future work projects.

Grassy Creek Maintenance Fund – This fund receives special assessment monies for the operation and maintenance of the Grassy Creek project and other related expenses of the District.

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

St. Joe Maintenance Fund – This fund receives special assessments monies for the operation and maintenance of the St. Joseph River project and other related expenses of the District.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and there related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The District annually prepares an operating budget, which includes estimated resources and appropriations. Estimated resources establish a limit on the amount the District may appropriate.

Appropriations are the District's authorization to spend resources and set limits on disbursements plus encumbrances at the level of control selected by the District. The legal level of control has been established at the account line item level for all funds.

Estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated revenues in effect at the time final appropriations were passed by the District.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Appropriations are subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the original appropriations for that fund that covered the entire year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the District during the year.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts, respectively.

During 2012, the District invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to District funds according to State statutes and District policy. Interest receipts were credited to the various District funds during 2012 as follows: Preliminary Fund \$945; Grassy Creek Maintenance Fund \$243; Little Auglaize Maintenance Fund \$1,133; and St. Joe Maintenance Fund \$209.

F. Inventory

The District reports disbursements for inventories when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for post-retirement healthcare benefits.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

J. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

K. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for maintenance – channels and structures and administration/planning future projects. The District's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of District Board of Directors. Those committed amounts cannot be used for any other purpose unless the District Board of Directors remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In the District's governmental funds, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned – In the District's governmental funds, the unassigned classification is used only to report a deficit balance.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Change in Accounting Principles

For the year ended December 31, 2012, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements for this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. The District modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, however, implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the District's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the Preliminary Fund, Grassy Creek Maintenance Fund, Little Auglaize Maintenance Fund, and St. Joe Maintenance Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Note 5 – Deposits and Investments

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Note 5 – Deposits and Investments (Continued)

Inactive deposits are public deposits that the Directors have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Note 5 – Deposits and Investments (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$47,118 of the District's bank balance of \$1,200,760 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 6 – Risk Management

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Risk Pool Membership

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM), formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Note 6 – Risk Management (Continued)

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

| | 2012 | 2011 |
|-----------------|--------------|--------------|
| Assets | \$13,100,381 | \$12,501,280 |
| Liabilities | (6,687,193) | (5,328,761) |
| Members' Equity | \$6,413,188 | \$7,172,519 |

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefits Pension Plan

Ohio Public Employees Retirement System

Plan Description – The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. The 2012 member contribution rate, as set forth in the Ohio Revised Code, was 10.0 percent of covered payroll. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2012, member and employer contribution rates were consistent across all three plans.

The District's 2012 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent during calendar year 2012. Employer contribution rates are actuarially determined.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Note 7 – Defined Benefits Pension Plan (Continued)

The District's required contributions for pension obligations to the Traditional Pension Plan for the years ended December 31, 2012, 2011, and 2010 were \$22,034, \$19,743, and \$18,066, respectively; 100 percent has been contributed for 2012, 2011, and 2010.

Note 8 – Post-employment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement,

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, employers contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution rate to a rate not to exceed 14 percent.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent during calendar year 2012.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

**MAUMEE WATERSHED CONSERVANCY DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Note 8 – Post-employment Benefits (Continued)

The District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$8,814, \$7,897, and \$7,226, respectively; 100 percent has been contributed for 2012, 2011, and 2010.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the care fund after the end of the transition period.

Note 9 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the governmental funds are presented below:

| Fund Balances | Preliminary General Fund | Grassy Creek Maintenance Fund | Little Auglaize Maintenance Fund | St. Joe Maintenance Fund | Total |
|---|---|--|---|---|--------------------|
| Restricted for | | | | | |
| Maintenance - Channels & Structures | | \$166,847 | \$607,879 | \$81,481 | \$856,207 |
| Administration/Planning Future Projects | \$339,430 | | | | 339,430 |
| <i>Total Fund Balances</i> | <u>\$339,430</u> | <u>\$166,847</u> | <u>\$607,879</u> | <u>\$81,481</u> | <u>\$1,195,637</u> |

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and each major fund of Maumee Watershed Conservancy District, Defiance County, Ohio (the District) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 22, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles and adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

April 22, 2014



Dave Yost • Auditor of State

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 8, 2014**