



**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

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**Auditor of State
Betty Montgomery**

Miami Conservancy District
Montgomery County
38 East Monument Avenue
Dayton, Ohio 45402-1265

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your District to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 15, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Miami Conservancy District
Montgomery County
38 East Monument Avenue
Dayton, Ohio 45402-1265

To the Board of Directors:

We have audited the accompanying financial statements of the Miami Conservancy District, Montgomery County, (the District), as of and for the year ended December 31, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2005, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District, as of December 31, 2005, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended December 31, 2005. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. 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.



Betty Montgomery
Auditor of State

August 15, 2006

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | Governmental Fund Types | | | Total (Memorandum Only) | |
|---|--------------------------------|----------------------------|-------------------------|--|-----------------------------|
| | General | Special Revenue | Debt Service | | Capital Projects |
| Cash Receipts: | | | | | |
| Assessments | \$4,415,938 | \$1,161,491 | | \$1,568,317 | \$7,145,746 |
| Investment Income | 291,818 | 210,466 | | 97,679 | 599,963 |
| Fees & Charges | 90,151 | | | 17,500 | 107,651 |
| Intergovernmental | 292,170 | 769,075 | | | 1,061,245 |
| Reimbursements/Miscellaneous | 52,948 | 631 | | 24,341 | 77,920 |
| Total Cash Receipts | 5,143,025 | 2,141,663 | | 1,707,837 | 8,992,525 |
| Cash Disbursements: | | | | | |
| Operating | 4,145,663 | 2,363,718 | | | 6,509,381 |
| Technology | | 4,454 | | | 4,454 |
| Equipment & Machinery | 136,564 | 15,446 | | | 152,010 |
| Land Acquisition | 240,547 | | | 27,204 | 267,751 |
| Dam Safety | | | | 57,498 | 57,498 |
| Other | | | | 48,726 | 48,726 |
| Debt Service: | | | | | |
| Principal | | | 1,676,840 | | 1,676,840 |
| Interest | | | 253,639 | | 253,639 |
| Total Cash Disbursements: | 4,522,774 | 2,383,618 | 1,930,479 | 133,428 | 8,970,299 |
| Total Receipts Over/(Under) Disbursements | 620,251 | (241,955) | (1,930,479) | 1,574,409 | 22,226 |
| Other Financing Receipts/(Disbursements): | | | | | |
| Sale of Equipment | 38,614 | | | | 38,614 |
| Proceeds of Notes | | | | 800,000 | 800,000 |
| Advances In/(Out) | (395,000) | 395,000 | | | |
| Repayment of Advance | 69,057 | (69,057) | | | |
| Transfers In/(Out) | | | 4,365,190 | (4,365,190) | |
| Total Other Financing Receipts/(Disbursements) | (287,329) | 325,943 | 4,365,190 | (3,565,190) | 838,614 |
| Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 332,922 | 83,988 | 2,434,711 | (1,990,781) | 860,840 |
| Cash Balance - January 1, 2005 | 5,505,904 | 6,310,593 | (2,434,711) | 5,816,353 | 15,198,139 |
| Cash Balance - December 31, 2005 | \$5,838,826 | \$6,394,581 | \$0 | \$3,825,572 | \$16,058,979 |
| Reserve for Encumbrances, December 31, 2005 | \$130,205 | \$1,441,806 | \$0 | \$8,820 | \$1,580,831 |

See accompanying notes to financial statements.

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**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Miami Conservancy District, Montgomery 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 appointed by a Court comprised of a judge of the Court of Common Pleas from each of the counties included in the District. The District provides flood protection and conservation of valuable water resources along the Great Miami River watershed, impacting all or portions of Butler, Clark, Greene, Hamilton, Miami, Montgomery, Preble, Shelby, and Warren 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. 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. General Fund

Flood Protection Fund – This fund is the general operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

River Corridor Improvement - This fund accounts for resources for the construction and maintenance of bikeways, dams, bridges, and walkways.

Aquifer Preservation - This fund accounts for resources used to preserve groundwater.

3. Debt Service Fund

Dam Safety Debt Service Fund - This fund accounts for resources reserved for the payment of note indebtedness.

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Capital Project Funds

These funds account for receipts that are restricted for the acquisition or construction of major capital projects. The District had the following significant Capital Project Funds:

Dam Safety and Rehabilitation – This fund collects receipts that are restricted for the dam safety and repair.

Capital Improvement - This fund collects receipts that are restricted for acquisition or construction of major capital projects.

D. Cash and Investments

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

U.S. Treasury Notes and Federal Agency Securities are valued at cost. Money Market Mutual Funds are recorded at share values reported by the mutual fund.

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 level of control, and appropriations may not exceed estimated resources. The 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated.

A summary of 2005 budgetary activity appears in Note 3.

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Accumulated Leave

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

2. CASH AND INVESTMENTS

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

| | |
|--------------------------------|---------------------|
| | <u>2005</u> |
| Demand deposits | <u>\$6,731,587</u> |
| Total deposits | <u>6,731,587</u> |
| U.S. Treasury Notes | 6,902,101 |
| Money Market | <u>2,425,291</u> |
| Total investments | <u>9,327,392</u> |
| Total deposits and investments | <u>\$16,058,979</u> |

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: U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the District's financial institution. The financial institution maintains records identifying the District as owner of these securities. Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form. The District's financial institution transfers securities to the District's agent to collateralize repurchase agreements. The securities are not in the District's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 follows:

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|---------------------|------------------|
| General | \$5,199,450 | \$5,250,696 | \$51,246 |
| Special Revenue | 2,440,600 | 2,536,663 | 96,063 |
| Debt Service | 4,365,190 | 4,365,190 | 0 |
| Capital Projects | 2,496,841 | 2,507,837 | 10,996 |
| Total | <u>\$14,502,081</u> | <u>\$14,660,386</u> | <u>\$158,305</u> |

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------------|
| General | \$5,295,000 | \$5,047,979 | \$247,021 |
| Special Revenue | 3,956,700 | 3,894,481 | 62,219 |
| Debt Service | 1,930,479 | 1,930,479 | 0 |
| Capital Projects | 4,594,531 | 4,507,438 | 87,093 |
| Total | <u>\$15,776,710</u> | <u>\$15,380,377</u> | <u>\$396,333</u> |

4. DEBT

Debt outstanding at December 31, 2005:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|--------------------|----------------------|
| Ohio Water Development Authority Loan OWDA 2002 | \$4,617,182 | 4.55% |
| Special Assessment Bond Anticipation Note Series 2005 | <u>800,000</u> | 2.93% |
| Total | <u>\$5,417,182</u> | |

During 2002, the District obtained a loan from OWDA in the amount of \$5,124,704 (includes capitalized interest and fees) to pay off the 2000 note from Bank One for a lower interest rate. The notes are uncollateralized.

During 2005, the District issued a \$800,000 Special Assessment Bond Anticipation Note for the purpose of construction costs associated with mitigating seepage and underseepage of five dams.

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

| <u>Year ending December 31:</u> | <u>OWDA Loan 2002</u> | <u>Bond Anticipation Note 2005</u> |
|-------------------------------------|---------------------------|--|
| 2006 | \$ 392,979 | \$ 823,440 |
| 2007 | 392,979 | |
| 2008 | 392,979 | |
| 2009 | 392,979 | |
| 2010 | 392,979 | |
| 2011 – 2015 | 1,964,894 | |
| 2016 – 2020 | 1,964,894 | |
| 2021 – 2022 | 785,957 | |
| Total | <u>\$ 6,680,640</u> | <u>\$ 823,440</u> |

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

5. RETIREMENT SYSTEM

The District's 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 2005, the District's members contributed 8.5% of their gross salaries and the District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

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

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

The District also provides health insurance, dental insurance, and vision coverage to full-time employees through a private carrier.

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**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***

Miami Conservancy District
Montgomery County
38 East Monument Avenue
Dayton, Ohio 45402 - 1265

To the Board of Directors:

We have audited the financial statements of the Miami Conservancy District, Montgomery County, (the District), as of and for the year ended December 31, 2005, and have issued our report thereon dated August 15, 2006, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control 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 error or fraud in amounts material to the financial statements we audited 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 material weaknesses.

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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Miami Conservancy District
Montgomery County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management and the 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

August 15, 2006

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; |
|----------------|---|------------------|--|
| 2004-001 | Failure to perform monthly bank reconciliations | Yes | |
| 2004-002 | ORC Sec. 5705.41 (D) – Failure to certify funds prior to obligations. | Yes | |
| 2004-003 | ORC Sec. 6101.44 (D) – Appropriations in excess of estimated resources. | Yes | |
| 2004-004 | Resolution # R 03-1672 – Negative fund balance in debt service fund | Yes | |



**Auditor of State
Betty Montgomery**

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**MIAMI CONSERVANCY DISTRICT
MONTGOMERY 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
SEPTEMBER 12, 2006**