



Dave Yost • Auditor of State



**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the cash balances, receipts and disbursements by fund type, and related notes of Miami Conservancy District, Montgomery County, (the District) as of and for the year ended December 31, 2015.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for preparing and fairly presenting the financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting the financial statement free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on the financial statement 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 statement is 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 statement 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 opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statement, the District prepared the financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2015, or changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined cash balances of Miami Conservancy District, Montgomery County as of December 31, 2015, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2016, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 5, 2016

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	GOVERNMENTAL FUND TYPES			TOTAL	
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
<b>Cash Receipts:</b>					
Assessments	\$4,934,567	\$1,187,320		\$1,605,376	\$7,727,263
Investment Income	9,828	5,993		2,567	18,388
Fees & Charges	234,500	38,827			273,327
Intergovernmental		680,600			680,600
Reimbursements/Miscellaneous	43,097	73,000			116,097
Total Cash Receipts	<u>5,221,992</u>	<u>1,985,740</u>		<u>1,607,943</u>	<u>8,815,675</u>
<b>Cash Disbursements:</b>					
Operating	4,351,143	1,672,561		29,560	6,053,264
Equipment & Machinery	249,527	10,998			260,525
Land Acquisition	18,224				18,224
Dam Safety				583,488	583,488
<b>Debt Service:</b>					
Principal			\$277,313		277,313
Interest			115,666		115,666
Total Cash Disbursements:	<u>4,618,894</u>	<u>1,683,559</u>	<u>392,979</u>	<u>613,048</u>	<u>7,308,480</u>
Total Receipts Over/(Under) Disbursements	<u>603,098</u>	<u>302,181</u>	<u>(392,979)</u>	<u>994,895</u>	<u>1,507,195</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Land	5,000				5,000
Sale of Equipment	19,966				19,966
Transfers In/(Out)			392,979	(392,979)	
Total Other Financing Receipts/(Disbursements)	<u>24,966</u>		<u>392,979</u>	<u>(392,979)</u>	<u>24,966</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	628,064	302,181		601,916	1,532,161
Fund Cash Balance - January 1, 2015	<u>8,914,889</u>	<u>6,495,734</u>		<u>3,718,498</u>	<u>19,129,121</u>
Fund Cash Balance - December 31, 2015	9,542,953	6,797,915		4,320,414	20,661,282
Restricted		6,797,915		3,058,927	9,856,842
Assigned	1,052,049			1,261,487	2,313,536
Unassigned (Deficit)	8,490,904				8,490,904
Fund Cash Balance - December 31, 2015	<u>\$9,542,953</u>	<u>\$6,797,915</u>	<u>\$0</u>	<u>\$4,320,414</u>	<u>\$20,661,282</u>

*The notes to the financial statement are an integral part of this statement.*

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**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Miami Conservancy District, Montgomery County, (the District) as a body corporate and politic. 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 this financial statement presents all activities for which the District is financially accountable.

**B. Accounting Basis**

The financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**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.

**Water Conservation** - This fund accounts for resources to establish and administer an innovative water quality trading program, to collect baseline water quality and best management practice performance data, and to support community-based watershed organizations.

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Debt Service Fund**

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

**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 Initiative** – This fund collects receipts that are restricted for the dam safety and repair.

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

**D. Deposits and Investments**

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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. 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 re-appropriated.

A summary of 2015 budgetary activity appears in Note 3.

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance Classifications**

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

Fund balance is reported as non-spendable when amounts cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Fund balance is reported as restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The fund balance for the special revenue funds is restricted for specific purposes described previously in Note 1(C)(2). The restricted portion of the fund balance in the capital projects funds represents the fund balance in the Dam Safety Initiative fund described in Note 1(C)(4).

Fund balance is reported as committed when the Board of Directors enacts legislation requiring specific revenues to be used for a specific purpose. The Board of Directors can modify or rescind that legislation at any time through additional legislation.

Fund balance is reported as assigned when a revenue source is not previously restricted or committed but the Treasurer determines, in the Treasurer's professional opinion, that the assigning of the revenue is desired or made at the direction of the Board of Directors. The assigned balance in the general fund is comprised of outstanding encumbrances as of December 31, 2015 (\$133,893) and the budgeted deficit for 2016 activity (\$918,156). The remainder of the fund balance in the general fund is unassigned. The assigned portion of the fund balance in the capital projects funds represents the fund balance in the Capital Improvement fund described in Note 1(C)(4).

Fund balance is reported as unassigned when resources have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes within the general fund.

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.

**G. Property, Plant, and Equipment**

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

**H. Accumulated Leave**

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

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The District maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<b>2015</b>
Demand deposits	\$10,012,678
STAR Ohio Plus	8,054,554
Total deposits	18,067,232
Money Market Mutual Fund	2,594,050
Total investments	2,594,050
Total deposits and investments	\$20,661,282

**A. Deposits**

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

**B. Investments**

Investments in money market mutual funds are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2015 follows:

**2015 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$5,173,000	\$5,246,958	\$73,958
Special Revenue	1,948,100	1,985,740	37,640
Debt Service	392,979	392,979	
Capital Projects	1,552,000	1,607,943	55,943
Total	\$9,066,079	\$9,233,620	\$167,541

**2015 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$5,123,871	\$4,752,787	\$371,084
Special Revenue	1,965,954	1,823,903	142,051
Debt Service	392,979	392,979	
Capital Projects	1,499,778	1,438,615	61,163
Total	\$8,982,582	\$8,408,284	\$574,298

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**4. DEBT**

Debt outstanding at December 31, 2015:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Water Development Authority Loan - 2002	\$2,333,351	4.55%

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.

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

<b>Year Ending December 31:</b>	<b>OWDA Loan 2002</b>
2016	\$392,979
2017	392,979
2018	392,979
2019	392,979
2020	392,979
2021 – 2022	785,956
Total	\$2,750,851

**5. RETIREMENT SYSTEM**

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2015, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2015.

**6. RISK MANAGEMENT**

The District has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded insurance coverage for the past three fiscal years.

**7. CONTINGENT LIABILITY**

The District is party to legal proceedings. At this time, the District is of the opinion that ultimate disposition of claims will not have a material effect on the financial position of the District.

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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*

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

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 statement of the cash balances, receipts, and disbursements by fund type of the Miami Conservancy District, Montgomery County, (the District) as of and for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated July 5, 2016 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***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 opinions on the financial statement, 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 statement. 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 statement is 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*.

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***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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

July 5, 2016





# Dave Yost • Auditor of State

**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  
AUGUST 2, 2016**