



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 Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Miami Conservancy District, Montgomery County, Ohio (the District) as of and for the year ended December 31, 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements 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 financial statements 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 such 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.

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

As described in Note 1 of the financial statements, the District prepared these financial statements 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 statements 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 these statements 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 statements referred to above do 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, 2017, and the respective changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Miami Conservancy District, Montgomery County as of December 31, 2017, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2018, 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

August 10, 2018

MIAMI CONSERVANCY DISTRICT

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES**

FOR THE YEAR ENDED DECEMBER 31, 2017

	GOVERNMENTAL FUND TYPES			Capital Projects	TOTAL (Memorandum Only)
	General	Special Revenue	Debt Service		
Cash Receipts:					
Assessments	\$ 4,949,894	\$ 1,196,194		\$ 1,609,428	\$ 7,755,516
Investment Income	74,896	45,416		29,621	149,933
Fees & Charges	96,506	35,786			132,292
Intergovernmental		332,281			332,281
Reimbursements/Miscellaneous	23,617	2,023			25,640
Total Cash Receipts	5,144,913	1,611,700	-	1,639,049	8,395,662
Cash Disbursements:					
Operating	4,475,025	1,498,370		64,551	6,037,946
Equipment & Machinery	424,809	13,742			438,551
Land Acquisition	5,868				5,868
Dam Safety				1,347,343	1,347,343
Debt Service:					
Principal			\$303,422		303,422
Interest			89,557		89,557
Total Cash Disbursements:	4,905,702	1,512,112	392,979	1,411,894	8,222,687
Total Receipts Over/(Under) Disbursements	239,211	99,588	(392,979)	227,155	172,975
Other Financing Receipts/(Disbursements):					
Sale of Land	1,180				1,180
Sale of Equipment	74,867				74,867
Transfers In/(Out)			369,714	(369,714)	-
OWDA Loan Interest Subsidy			10,826		10,826
Total Other Financing Receipts/(Disbursements)	76,047	0	380,540	(369,714)	86,873
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	315,258	99,588	(12,439)	(142,559)	259,848
Cash Balance - January 1, 2017	9,925,762	6,873,531	12,439	5,103,369	21,915,101
Cash Balance - December 31, 2017	10,241,020	6,973,119	-	4,960,810	22,174,949
Restricted		6,973,119		4,077,840	11,050,959
Assigned	1,244,437			882,970	2,127,407
Unassigned (Deficit)	8,996,583				8,996,583
Cash Balance - December 31, 2017	\$ 10,241,020	\$ 6,973,119	\$ -	\$ 4,960,810	\$ 22,174,949

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

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**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 used to enhance public use and enjoyment of river corridors utilizing improvements, amenities, and activities within and along the river corridors.

Aquifer Preservation - This fund accounts for resources used to develop and maintain an ongoing, watershed-wide program in support of comprehensive protection, management, and understanding of the region's water resources.

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. Debt Service Fund

Dam Safety Debt Service Fund - This fund accounts for resources reserved for the payment of note and/or loan 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 restricted 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. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2017 budgetary activity appears in Note 3.

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, 2017 (\$66,862) and the budgeted deficit for 2018 activity (\$1,177,575). 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 statements do not report these items as assets.

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

	<u>2017</u>
Demand deposits	\$6,832,910
STAR Plus	4,665,386
Total deposits	<u>11,498,296</u>
STAR Ohio	8,056,923
Money Market Mutual Fund	2,619,730
Total investments	<u>10,676,653</u>
Total deposits and investments	<u><u>\$22,174,949</u></u>

A. Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS).

B. Investments

Investments in STAR Ohio and 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, 2017 follows:

<u>2017 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$5,190,000	\$5,220,960	\$30,960
Special Revenue	1,591,031	1,611,700	20,669
Debt Service	380,540	380,540	0
Capital Projects	1,625,000	1,639,049	14,049
Total	<u>\$8,786,571</u>	<u>\$8,852,249</u>	<u>\$65,678</u>

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,510,496	\$4,972,564	\$537,932
Special Revenue	1,931,421	1,755,110	176,311
Debt Service	392,979	392,979	0
Capital Projects	2,460,714	2,391,588	69,126
Total	\$10,295,610	\$9,512,241	\$783,369

4. DEBT

Debt outstanding at December 31, 2017:

	Principal	Interest Rate
Ohio Water Development Authority Loan - 2002	\$1,739,855	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.

In 2016, OWDA implemented an interest rate buy-down program to assist local governments with outstanding OWDA loans. Loans with interest rates higher than 4.00% are receiving a subsidy discount on the outstanding balance through the remainder of the maturity date. The buy-down subsidy commenced retroactively beginning with payments due January 1, 2016. Although the stated interest rate on the loan remains at 4.55%, the buy-down subsidy reduces the effective interest rate to 4.00%. The total subsidy over the life of the loan is expected to be \$50,467. The remaining debt payments listed below represent amounts due each year based on OWDA's revised amortization schedule after the subsidy is applied.

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

Year ending December 31:	OWDA Loan 2002
2018	383,841
2019	385,607
2020	387,453
2021	389,385
2022	391,406
Total	\$1,937,692

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

5. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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. OPERS members contributed 10 percent, of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

6. POST EMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

7. 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.



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 statements 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, 2017, and the related notes to the financial statements, and have issued our report thereon dated July 23, 2018 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 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 District's internal control and compliance. Accordingly, this report 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

August 10, 2018



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
SEPTEMBER 4, 2018**