



**Auditor of State  
Betty Montgomery**



**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

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, 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Miami Conservancy District, Montgomery County, as of December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statement of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

September 16, 2004

**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, 2003**

	<b>Governmental Fund Types</b>				<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>					
Assessments	\$3,655,557	\$1,020,267	\$1,183,936		\$5,859,760
Investment Income	128,161	45,027		\$97,636	270,824
Fees & Charges	116,494			2,500	118,994
Intergovernmental	340,420	959,201			1,299,621
Reimbursements	97,619	4,925		10,000	112,544
<b>Total Cash Receipts</b>	<b>4,338,251</b>	<b>2,029,420</b>	<b>1,183,936</b>	<b>110,136</b>	<b>7,661,743</b>
<b>Cash Disbursements:</b>					
Operating	4,023,481	2,120,563			6,144,044
Technology	21,164	6,520		108,526	136,210
Equipment & Machinery	341,818	1,756			343,574
Dam Safety				691,471	691,471
Other				1,492,425	1,492,425
Debt :					
Principal Payment			602,279	3,869,343	4,471,622
Interest			423,849		423,849
<b>Total Cash Disbursements:</b>	<b>4,386,463</b>	<b>2,128,839</b>	<b>1,026,128</b>	<b>6,161,765</b>	<b>13,703,195</b>
Receipts (Under) Disbursements	(48,212)	(99,419)	157,808	(6,051,629)	(6,041,452)
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Equipment	110,835				110,835
Proceeds of Notes				4,000,000	4,000,000
Transfers In		469,000			469,000
Transfers Out	(469,000)				(469,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(358,165)</b>	<b>469,000</b>	<b>0</b>	<b>4,000,000</b>	<b>4,110,835</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(406,377)	369,581	157,808	(2,051,629)	(1,930,617)
Cash Balance, January 1	8,643,082	5,505,939	349,424	7,892,716	22,391,161
<b>Cash Balance, December 31</b>	<b>\$8,236,705</b>	<b>\$5,875,520</b>	<b>\$507,232</b>	<b>\$5,841,087</b>	<b>\$20,460,544</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$24,532</b>	<b>\$74,525</b>	<b>\$0</b>	<b>\$2,734,355</b>	<b>\$2,833,412</b>

See accompanying notes to the financial statements.

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Proprietary Fund Type</b>
	<b>Internal Service</b>
<b>Cash Receipts:</b>	
Overhead Charges	\$4,723,675
<b>Cash Disbursements:</b>	
Personnel Services	3,506,264
Operating Costs	1,217,411
Other	14,370
Total Cash Disbursements	4,738,045
Excess of Cash Receipts Over/(Under) Cash Disbursements	(14,370)
Fund Cash Balance - January 1,	14,370
<b>Fund Cash Balance - December 31,</b>	<b>\$0</b>
<b>Reserves for Encumbrances, December 31,</b>	<b>\$176,351</b>

*See accompanying notes to the financial statements.*



**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**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 used 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 Bond Retirement 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, 2003  
(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.

**5. Internal Service Funds**

These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The District had the following significant Internal Service fund:

**Shared Operations Allocation Fund** - This fund is used to accumulate shared operational expenses such as salaries of field staff and engineers and associated general costs which are allocated to the District's ongoing 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 Bonds 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.

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(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 reappropriated. The District did not encumber all commitments required by Ohio Law.

A summary of 2003 budgetary activity appears in Note 3.

**F. Accumulated Leave**

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

**2. CASH AND INVESTMENTS**

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

	<u><b>2003</b></u>
Demand deposits	<u>\$1,688,233</u>
Total deposits	<u>1,688,233</u>
U.S. Treasury Bonds	13,734,641
Money Market	<u>5,037,670</u>
Total investments	<u>18,772,311</u>
Total deposits and investments	<u><u>\$20,460,544</u></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 Bonds 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.

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 follows:

<b>2003 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$4,111,818	\$4,449,086	\$337,268
Special Revenue	1,809,032	2,498,420	689,388
Debt Service	1,183,936	1,183,936	0
Capital Projects	4,104,421	4,110,136	5,715
Internal Service	4,738,013	4,723,675	(14,338)
Total	\$15,947,220	\$16,965,253	\$1,018,033

<b>2003 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$5,421,878	\$4,879,995	\$541,883
Special Revenue	4,209,860	2,203,364	2,006,496
Debt Service	1,302,971	1,026,128	276,843
Capital Projects	9,218,320	8,896,120	322,200
Internal Service	5,221,598	4,914,396	307,202
Total	\$25,374,627	\$21,920,003	\$3,454,624

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority by \$688,952 in the Dam Safety Fund. Also contrary to Ohio law, the District had appropriations that exceeded estimated resources by \$392,022 in the Watershed Initiative Fund; \$1,673,358 in the Capital Improvements Fund; and \$406,635 in the Internal Service Fund.

Also contrary to Ohio law, the Board of Directors did not approve four contracts which exceeded twenty-five thousand dollars, nor did the Board President sign the contracts. This resulted in \$2,754,593 of expenditures which were not properly approved by the Board.

**4. DEBT**

Debt outstanding at December 31, 2003:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Water Development Authority Loan		
OWDA 2002	\$4,963,082	4.55%
Bond Anticipation Note Series 2003	4,000,000	1.30%
Total	\$8,963,082	

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**4. DEBT (Continued)**

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 2003, the District issued a \$4,000,000 Bond Anticipation Note for the purpose of construction costs associated with mitigating seepage and under seepage of five dams. This note was used to pay off Bond Anticipation Notes previously issued in 1999 and 2000 for the same purpose.

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 2003</u>
2004	\$ 392,979	\$ 4,034,089
2005	392,979	
2006	392,979	
2007	392,979	
2008	392,979	
2009 - 2013	1,964,894	
2014 - 2018	1,964,894	
2019 - 2022	1,571,915	
Total	<u>\$ 7,466,598</u>	<u>\$ 4,034,089</u>

**5. RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, 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, 2003.

**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.

MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Number</b>	<b>Disbursements</b>
<b>UNITED STATES DEPARTMENT OF TRANSPORTATION</b> <i>Passed Through Ohio Department of Transportation</i> Highway Planning and Construction Program - River Bridge Project	20.205	N/A	\$341,115
<b>Total Federal Assistance</b>			<b>\$341,115</b>

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award program. The schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

The Highway Planning and Construction program requires that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

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, 2003, and have issued our report thereon dated September 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-004. We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated September 16, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the District's management in a separate letter dated September 16, 2004.

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Miami Conservancy District  
Montgomery County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by Government Auditing Standards  
Page 2

This report is intended for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by 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

September 16, 2004



## Auditor of State Betty Montgomery

### REPORT OF INDEPENDENT ACCOUNTANTS' ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Directors:

#### Compliance

We have audited the compliance of Miami Conservancy District, Montgomery County, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Miami Conservancy District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

#### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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**Internal Control Over Compliance  
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

September 16, 2004

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
DECEMBER 31, 2003**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Highway Planning and Construction CFDA#20.205
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2003-001**

**Ohio Rev. Code Section 6101.44(D)** states that no contract shall be entered into, and no order shall be issued, involving the expenditure of money unless the accounting officer of the district first certifies that the amount required to meet the expenditure or, in the case of a continuing contract to be performed in whole or in part in a subsequent fiscal year, the amount required to meet the contract in the year in which the contract is made has been lawfully appropriated for the purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from previous encumbrances. Accounts shall be kept in such form to show at all times the true condition of each appropriation.

The District did not properly certify the availability of funds prior to purchase commitment for 56 out of 60 transactions tested or 93% of the expenditures tested. Failure to properly certify the availability of funds can result in misappropriation of monies and negative cash fund balances. Prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility that District funds will exceed budgetary spending limitations, we recommend that the District's Treasurer certify that the funds are or will be available prior to the obligation by the District.

**FINDING NUMBER 2003-002**

**Ohio Rev. Code Section 6101.44(D)** states that the total amount appropriated from any fund shall not exceed the sum of the unencumbered balance in the fund at the beginning of the year and the amounts to be received during the year from bonds authorized, and special assessments imposed prior to their appropriation, together with all other moneys estimated to be received by the fund during the year. At December 31, 2003, appropriations exceeded the sum of available resources in the following funds:

Fund	Estimated Resources	Appropriations	Variance
Watershed Initiative (Special Revenue)	\$ 469,000	\$ 861,022	(\$ 392,022)
Capital Improvements (Capital Projects)	\$2,416,642	\$4,090,000	(\$1,673,358)
Internal Service	\$4,738,013	\$5,144,648	(\$ 406,635)

The District should monitor appropriations and estimated receipts throughout the fiscal year, making budgetary amendments as needed to be in compliance with the abovementioned Section of Ohio Revised Code. Implementing these procedures will reduce the risk that expenditures will exceed available resources.

**FINDING NUMBER 2003-003**

**Ohio Rev. Code Section 6101.44(D)** states at or before the opening of each fiscal year, the board shall adopt a resolution making appropriations for the ensuing year. The appropriation resolution may be amended or supplemented by the board. This section also states that no money shall be drawn from the treasury of the district, and no obligation for the expenditure of money shall be incurred, except in pursuance of an appropriation by the board.

The legal level of budgetary control is the level at which the appropriation resolution is adopted by the Board of Directors. Appropriations were adopted by the board at the fund level. At December 31, 2003, actual expenditures plus outstanding encumbrances exceeded appropriations in the following fund:

<b>Fund</b>	<b>Appropriations</b>	<b>Actual Expenditures plus Outstanding Encumbrances</b>	<b>Variance</b>
Dam Safety (Capital Projects)	\$4,962,480	\$5,651,432	(\$688,952)

**FINDING NUMBER 2003-004**

**Ohio Revised Code Section 6101.16** requires contracts which exceed twenty-five thousand dollars be approved by the Board of Directors and signed by the president of the Board.

The Board of Directors did not approve four contracts which exceeded the twenty-five thousand dollar threshold, nor did the Board President sign the contracts. This resulted in \$2,754,593 of expenditures which were not properly approved by the Board.

The Board of Directors should implement procedures to properly approve all contracts that exceed twenty-five thousand dollars and such contracts, should be signed by the president of the Board.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 §.315 (b)  
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2002-001	ORC 5705.36 (A)	Yes	
2002-002	ORC 5705.39	No	Repeated as Finding Number 2003-002
2002-003	ORC 5705.41 (B)	No	Repeated as Finding Number 2003-003
2002-004	ORC 5705.41 (D)	No	Repeated as Finding Number 2003-001





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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  
NOVEMBER 4, 2004**