



Mary Taylor, CPA
Auditor of State

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

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Mary Taylor, CPA
Auditor of State

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

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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government 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 adverse 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 10, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Miami Conservancy District
Montgomery County
38 East 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, 2007. 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.

Instead of the combined funds the accompanying financial statement presents, GAAP require presenting entity wide statements and also presenting the Districts larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Authorities to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. 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, 2007 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, 2007, 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 cash balances and reserves for encumbrances of the Miami Conservancy District, Montgomery County, as of December 31, 2007, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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 July 10, 2008, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 10, 2008

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Assessments	\$4,446,448	\$1,156,684		\$1,585,271	\$7,188,403
Investment Income	524,637	352,656		181,341	1,058,634
Fees and Charges	85,013				85,013
Intergovernmental	5,957	773,846			779,803
Reimbursements and Miscellaneous	6,807	654		18,000	25,461
Total Cash Receipts	<u>5,068,862</u>	<u>2,283,840</u>		<u>1,784,612</u>	<u>9,137,314</u>
Cash Disbursements:					
Operating	3,950,086	2,218,251			6,168,337
Equipment and Machinery	168,687	15,343			184,030
Dam Safety				966,633	966,633
Other				16,681	16,681
Debt Service:					
Principal			\$193,490		193,490
Interest			199,489		199,489
Total Cash Disbursements	<u>4,118,773</u>	<u>2,233,594</u>	<u>392,979</u>	<u>983,314</u>	<u>7,728,660</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>950,089</u>	<u>50,246</u>	<u>(392,979)</u>	<u>801,298</u>	<u>1,408,654</u>
Other Financing Receipts/(Disbursements):					
Sale of Land				1,161,978	1,161,978
Sale of Equipment	32,576				32,576
Repayment of Advance	99,308	(99,308)			
Transfers In			392,979		392,979
Transfers Out				(392,979)	(392,979)
Total Other Financing Receipts/(Disbursements)	<u>131,884</u>	<u>(99,308)</u>	<u>392,979</u>	<u>768,999</u>	<u>1,194,554</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,081,973	(49,062)		1,570,297	2,603,208
Cash Balance, January 1	<u>7,016,804</u>	<u>7,397,830</u>		<u>3,962,525</u>	<u>18,377,159</u>
Cash Balance, December 31	<u>\$8,098,777</u>	<u>\$7,348,768</u>	<u>\$0</u>	<u>\$5,532,822</u>	<u>\$20,980,367</u>
Reserves for Encumbrances	<u>\$89,529</u>	<u>\$695,996</u>	<u>\$0</u>	<u>\$128,205</u>	<u>\$913,730</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, 2007**

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. Accounting Basis

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.

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 CONSERVACNY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(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 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

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.

The District values U.S. Treasury Notes at cost. Money market mutual funds are recorded at share values the mutual funds report.

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. The District did not properly encumber all commitments required by Ohio Revised Code section 5105.41 (D).

A summary of 2007 budgetary activity appears in Note 3.

**MIAMI CONSERVACNY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. 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:

	2007
Demand deposits	\$10,708,447
Total deposits	10,708,447
Money Market	10,271,920
Total investments	10,271,920
Total deposits and investments	\$20,980,367

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 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 year ending December 31, 2007 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,152,308	\$5,200,746	\$48,438
Special Revenue	2,263,157	2,283,840	20,683
Debt Service	392,979	392,979	
Capital Projects	2,929,978	2,946,590	16,612
Total	\$10,738,422	\$10,824,155	\$85,733

**MIAMI CONSERVACNY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,528,382	\$4,208,302	\$320,080
Special Revenue	3,223,485	3,028,898	194,587
Debt Service	392,979	392,979	
Capital Projects	1,556,979	1,504,498	52,481
Total	\$9,701,825	\$9,134,677	\$567,148

4. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan - 2002	\$4,238,715	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:

Year ending December 31:	OWDA Loan 2002
2008	\$392,979
2009	392,979
2010	392,979
2011	392,979
2012	392,979
2013 - 2017	1,964,894
2018 - 2022	1,964,894
Total	\$5,894,683

5. RETIREMENT SYSTEMS

The District's full-time 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 2007, OPERS members contributed 9.5% of their gross salaries and the District contributed an amount equaling 13.85% of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

**MIAMI CONSERVACNY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

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.

7. SUBSEQUENT EVENT

On June 12, 2008, the District approved contracts for reconstruction and dam relief wells totaling \$2,125,920.

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Mary Taylor, CPA

Auditor of State

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

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, 2007, and have issued our report thereon dated July 10, 2008, 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, and District Board of Directors. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 10, 2008

MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2007-001

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contractor expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

A. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

B. Blanket certificate – Fiscal officers may prepare "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance adopted by the members of the legislative authority, against any specific line item account, and not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

C. Super Blanket certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The District did not properly certify the availability of funds prior to purchase commitments for 5 out of the 65 or 7.7% of the items tested during the disbursement cycle. There was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds could result in overspending and negative cash fund balances.

**FINDING NUMBER 2007-001
(Continued)**

The District should determine that all expenditures have funds certified as available before an order or contract has been made. Unless the exceptions noted above are used, 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. The District's Treasurer should certify the availability of funds prior to obligation to improve controls over disbursements and to help reduce the possibility of exceeding budgetary spending limitations. When prior certification is not possible, a "then and now" certification should be used.

The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response: *The District has been made aware of the noncompliance issue above. A written purchasing policy exists and every employee of the District is required to sign the purchasing policy as acknowledgement that they have received the policy. It should be noted that at no time did the total purchase commitments exceed the total amount budgeted in any fund. Additionally, all checks are required to have two handwritten (not computer-generated) authorized signatures prior to payment for any purchase. The individual instances of noncompliance will be addressed with the appropriate employee who made the purchase(s).*



Mary Taylor, CPA
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 28, 2008**