



**Auditor of State  
Betty Montgomery**



**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

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**Auditor of State  
Betty Montgomery**

Miami Conservancy District  
Montgomery County  
38 E. 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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your district to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Betty Montgomery**  
Auditor of State

September 27, 2005

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## Auditor of State Betty Montgomery

### 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, 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Miami Conservancy District, Montgomery County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 September 27, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

September 27, 2005



**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, 2004**

	<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	\$3,679,986	\$975,114	\$1,485,125		\$6,140,225
Investment Income	331,487	114,794		\$72,554	518,835
Fees & Charges	48,154			30,000	78,154
Intergovernmental	26,751	544,863			571,614
Reimbursements/Miscellaneous	21,668	5,342		16,821	43,831
<b>Total Cash Receipts</b>	<b>4,108,046</b>	<b>1,640,113</b>	<b>1,485,125</b>	<b>119,375</b>	<b>7,352,659</b>
<b>Cash Disbursements:</b>					
Operating	5,931,267	1,716,676			7,647,943
Equipment & Machinery	338,172	78,364			416,536
Dam Safety				1,590,441	1,590,441
Other				59,488	59,488
Debt Service:					
Principal			4,169,060		4,169,060
Interest			258,008		258,008
<b>Total Cash Disbursements:</b>	<b>6,269,439</b>	<b>1,795,040</b>	<b>4,427,068</b>	<b>1,649,929</b>	<b>14,141,476</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(2,161,393)</b>	<b>(154,927)</b>	<b>(2,941,943)</b>	<b>(1,530,554)</b>	<b>(6,788,817)</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Equipment	20,592				20,592
Proceeds of Notes				1,505,820	1,505,820
Transfers In/Out	(590,000)	590,000			
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(569,408)</b>	<b>590,000</b>		<b>1,505,820</b>	<b>1,526,412</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(2,730,801)</b>	<b>435,073</b>	<b>(2,941,943)</b>	<b>(24,734)</b>	<b>(5,262,405)</b>
<b>Cash Balance - January 1</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>Cash Balance - December 31</b>	<b>\$5,505,904</b>	<b>\$6,310,593</b>	<b>(\$2,434,711)</b>	<b>\$5,816,353</b>	<b>\$15,198,139</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$191,072</b>	<b>\$137,370</b>	<b>\$0</b>	<b>\$46,722</b>	<b>\$375,164</b>

See accompanying notes to the financial statements.

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**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Miami Conservancy District, Montgomery County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a three member Board of Directors appointed by a Court comprised of a judge of the Court of Common Pleas from each of the counties included in the District. The District provides flood protection and conservation of valuable water resources along the Great Miami River watershed, impacting all or portions of Butler, Clark, Greene, Hamilton, Miami, Montgomery, Preble, Shelby, and Warren Counties.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

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

**3. Debt Service Fund**

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

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

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

**4. Capital Project Funds**

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

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

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

**D. Cash and Investments**

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

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

**3. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2004 budgetary activity appears in Note 4.

**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.

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**2. CHANGES IN ACCOUNTING PRESENTATION**

The District used Internal Service Funds during 2004. 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 Internal Service Funds:

**Support** – This fund is used to account for administrative expenses of the organization such as salaries of office staff and office equipment. These expenses are allocated to each operating fund based on ratios approved by the Board.

**Operations** - This fund is used to account for operational expenses which are not directly related to an individual operating fund, but which provide a benefit to multiple operating funds such as field staff salaries, utilities, insurance, equipment maintenance, etc. These expenses are allocated to each operating fund based on ratios approved by the Board.

The Internal Service Fund was presented on a separate statement in prior years. The 2004 audited financial statements do not present the Internal Service Fund as the revenues for the funds are the expenditures allocated to General and Special Revenue Funds. Presenting the Internal Service Fund doubled the revenues and expenditures for the District.

**3. CASH AND INVESTMENTS**

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

	<b>2004</b>
Demand deposits	<u>\$1,554,105</u>
Total deposits	<u>1,554,105</u>
U.S. Treasury Notes	13,033,109
Money Market	<u>610,925</u>
Total investments	<u>13,644,034</u>
Total deposits and investments	<u><u>\$15,198,139</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 Notes are held in book-entry form by the Federal Reserve, in the name of the District's financial institution. The financial institution maintains records identifying the District as owner of these securities. Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form. The District's financial institution transfers securities to the District's agent to collateralize repurchase agreements. The securities are not in the District's name.

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 follows:

<b>2004 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$4,125,117	\$4,128,638	\$3,521
Special Revenue	2,030,724	2,230,113	199,389
Debt Service	1,494,217	1,485,125	(9,092)
Capital Projects	1,607,641	1,625,195	17,554
Total	\$9,257,699	\$9,469,071	\$211,372

<b>2004 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$6,970,720	\$7,050,511	(\$79,791)
Special Revenue	1,800,786	1,932,410	(131,624)
Debt Service	4,427,068	4,427,068	0
Capital Projects	4,436,499	1,696,651	2,739,848
Total	\$17,635,073	\$15,106,640	\$2,528,433

**5. DEBT**

Debt outstanding at December 31, 2004:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Water Development Authority Loan		
OWDA 2002	\$4,794,022	4.55%
Bond Anticipation Note Series 2004	1,500,000	2.50%
Total	\$6,294,022	

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 2004, the District issued a \$1,500,000 Bond Anticipation Note for the purpose of paying construction costs associated with mitigating seepage and underseepage of five dams.

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

<b>Year ending December 31:</b>	<b>OWDA Loan 2002</b>	<b>Bond Anticipation Note 2004</b>
2005	\$ 392,979	\$1,537,500
2006	392,979	
2007	392,979	
2008	392,979	
2009	392,979	
2010 – 2014	1,964,894	
2015 – 2019	1,964,894	
2020 – 2022	1,178,937	
Total	\$7,073,620	\$1,537,500

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**6. RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, 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, 2004.

**7. 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.

**8. SUBSEQUENT EVENTS**

On April 14, 2005 the Board authorized the issuance of a note in amount of \$800,000 in anticipation of the issuance of bonds.

On June 7, 2005 the Board approved a resolution to reconcile \$88,304 for an unresolved variance. The variance was recorded as an expense in the General Fund.

On June 7, 2005 the Board authorized to execute a contract for the Lockington Underseepage Remediation Relief Well Installation to the lowest and best bidder. The estimate for the project was \$440,000.

On August 5, 2005 the Board entered into a contract for construction on the Franklin Bikeway Project for \$1,285,000.

**9. NONCOMPLIANCE**

The District did not comply with requirements regarding certification of funds prior to obligation, appropriations exceeding estimated resources, expenditures plus outstanding encumbrances exceeding appropriations, and a debt covenant which requires funding the debt service fund to make all debt payments.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

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, 2004, and have issued our report thereon dated September 27, 2005, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated September 27, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-002 through 2004-004. In a separate letter to the District's management dated September 27, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the Board of Directors. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

September 27, 2005

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Reportable Condition**

The District's former Treasurer maintained a manual ledger in addition to the District having a computerized system. The manual system was used for reconciling purposes, however all transactions were not accurately/completely posted to the computerized system, which resulted in variances between the book balances. When the former Treasurer left, the manual system was discontinued and as a result of incomplete postings to the computerized system the District was unable to reconcile its balances to the corresponding bank balances throughout 2004. Further the District used the services of a local accounting firm to perform accounting functions until a new Treasurer was hired and various posting and reconciling errors were noted during that period including carrying numerous checks as outstanding that had actually cleared the bank. The variance between the bank and book balances rose to as much as \$2,557,680 as of the end of July 2004, but changed from month to month until December.

The following errors were among those noted in the monthly bank reconciliations for the District:

- No bank reconciliations were performed for April and June of 2004.
- The May bank reconciliation had the April 1, 2004 bank balance as the May 30, 2004 balance in the Bank One – Dam Safety Account.
- The July 2004 reconciliation's Bank One Trust – Maintenance account balance had a variance of \$640 from the actual bank balance.
- The July 2004 reconciliation Bank One Trust – Dam Safety account balance had a variance of \$12,181,795 from the actual bank balance.
- The July 2004 bank reconciliation had \$2,013,761 listed in outstanding checks, since the system was not updated for checks that had cleared the bank since April 2004.

Finally, despite the variances noted between reconciliation amounts and actual bank balances for May and July, the District showed that the books reconciled to the bank.

The District attempted to determine the details of these variances and the December 2004 bank reconciliations showed an unknown variance in the amount of \$88,304 which remained consistent through March 2005. The Board approved to write-off this amount at the June 7, 2005 meeting and the audited financial statements reflect this write off.

Bank account reconciliations are a basic control to provide accuracy and completeness of the District's recording of current receipts and expenditures. Additionally, incomplete and untimely posting of transactions to the records did not provide for an accurate presentation of available cash balances and resources for the District's activities. Failure to maintain complete accountability of public monies, including routine accurate reconciliations, increased the possibility of fraud via funds being altered, impaired, lost or stolen.

To strengthen controls over the financial record keeping process, monthly bank reconciliations should be performed, all transactions should be posted timely and accurately, all supporting documentation should be maintained. Any discrepancies should be investigated and corrected in a timely manner. Further, periodic detailed reviews of these reconciliations should be performed and documented by personnel independent of the accounting process.

## FINDING NUMBER 2004-002

### Noncompliance Citation

**Ohio Rev. Code Section 5705.41 (D)** states in pertinent part, 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 process of collection to the credit of an appropriate fund free from previous encumbrances. Accounts shall be kept in such form as to show at all times the true condition of each appropriation. Ohio Revised Code does allow the following exceptions:

- 1. 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.
- 2. Blanket certificate:** Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution of the legislative body against any specific line item account over a period not running beyond the current 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.
- 3. 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 extend 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 commitment for \$1,900,062 (75.19%) or 15 out of 60 (25%) of the expenditures tested for 2004 and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in misappropriation of monies and negative cash fund balances. 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. To improve controls over disbursements and to help reduce the possibility that District's funds will exceed budgetary spending limitations, the District's Treasurer should certify that the funds are or will be available prior to the obligation by the District. When prior certification is not possible, "then and now" certification should be used. The most convenient certification method is to use purchase orders that include the certification language 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 5705.41 (D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. Ohio Rev. Code Section 6101.44(D) requires prior certification, also.

**FINDING NUMBER 2004-003**

**Noncompliance Citation**

**Ohio Rev. Code Section 6101.44(D)** requires 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 June 30, 2004, appropriations exceeded the sum of available resources in the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Debt Service (Fund 300)	\$1,962,232	\$4,461,157	(\$2,498,925)
Capital Improvements (Fund 450)	(\$ 595,317)	\$ 513,453	(\$1,108,770)

At December 31, 2004, appropriations exceeded the sum of available resources in the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Debt Service (Fund 300)	\$2,001,449	\$4,427,068	(\$2,425,619)
Capital Improvements (Fund 450)	(\$ 601,949)	\$ 62,145	(\$ 664,094)

Additionally, this section of code also requires that 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 June 30, 2004, actual expenditures plus outstanding encumbrances exceeded appropriations in the following fund:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures plus Outstanding Encumbrances</u>	<u>Variance</u>
Capital Improvements (Fund 450)	\$313,507	\$1,211,868	(\$898,361)

At December 31, 2004, actual expenditures plus outstanding encumbrances exceeded appropriations in the following funds:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures plus Outstanding Encumbrances</u>	<u>Variance</u>
General (Fund 100)	\$6,970,720	\$7,050,511	(\$ 79,791)
River Corridor Imp. (Fund 200)	\$ 729,994	\$ 925,455	(\$195,461)

The District should monitor appropriations and expenditures throughout the fiscal year, making budgetary amendments and spending changes to reduce the risk that expenditures plus outstanding encumbrances will exceed appropriations and available resources.

**FINDING NUMBER 2004-004**

**Noncompliance Citation**

**Resolution No.: R 03-1672** authorizing the issuance the issuance of notes, **Section 10**, states in part that “the District covenants that it will use its best efforts to collect the assessments levied to pay the costs of the Improvement, and the District further covenants that it will deposit sufficient amounts of those assessments in the Bond Retirement Fund to pay the debt service on the Bonds” and this Resolution was referred to as part of the actual debt instrument. The District’s Debt Service fund had a negative fund balance in excess of \$2.4 million which is not in accordance with the covenant above. Money from other funds was, in effect, used to pay the debt obligation.

The District included the covenant as part of the agreement with its creditor as part of obtaining this financing, and Ohio Rev. Code Section 6101.44(C) requires that proceeds of all special assessments pledged for retirement of bonds or notes or payment of interest shall be used only for those purposes. Procedures should be developed and implemented to provide that funding for meeting this obligation as prescribed in the covenant is recorded in the debt service fund.

**MIAMI CONSERVANCY DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Ohio Rev. Code Section 6101.44 (D) – Certification of funds prior to obligation	No	Repeated as finding number 2004-002
2003-002	Ohio Rev. Code Section 6101.44 (D) – appropriations in excess of estimated resources	No	Repeated as finding number 2004-003
2003-003	Ohio Rev. Code Section 6101.44 (D) – actual expenditures in excess of appropriations	No	Repeated as finding number 2004-003
2003-004	Ohio Rev. Code Section 6101.16 – Board President Sign Contracts	Yes	







**Auditor of State  
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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 10, 2005**