

**MILLCREEK VALLEY CONSERVANCY DISTRICT
HAMILTON COUNTY**

Regular Audit

Years Ended December 31, 2004 and 2003



**Auditor of State
Betty Montgomery**

Board of Directors
Millcreek Valley Conservancy District
105 East Fourth Street, Suite 1310
Cincinnati, Ohio 45202

We have reviewed the *Independent Auditor's Report* of Millcreek Valley Conservancy District, Hamilton County, prepared by Cassady, Schiller & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Millcreek Valley Conservancy District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 30, 2005

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**MILLCREEK VALLEY CONSERVANCY DISTRICT
HAMILTON COUNTY**

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2004 AND 2003

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INDEPENDENT ACCOUNTANTS' REPORT



To the Board of Directors
Millcreek Valley Conservancy District
Hamilton County

We have audited the accompanying financial statements of the Millcreek Valley Conservancy District, Hamilton County, (the District), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the financial statement based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

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

Revisions to generally accepted accounting principles 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 statement presents for 2004 (and 2003), 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 generally accepted accounting principles, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new generally accepted accounting principles presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statement. Since this District does not use generally accepted accounting principles 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-generally accepted accounting principles basis is in the second following paragraph.

CERTIFIED PUBLIC ACCOUNTANTS

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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 does 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 presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District, as of December 31, 2004 and 2003, and its combined cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

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 October 3, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.



October 3, 2005

**MILLCREEK VALLEY CONSERVANCY DISTRICT
HAMILTON COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Cash Receipts:		
Rent	\$ 8,275	\$ 7,625
Intergovernmental	200,000	98,000
Interest	9,926	15,174
Total cash receipts	<u>218,201</u>	<u>120,799</u>
Cash Disbursements:		
Salaries	151,013	142,631
Fringe benefits	24,192	21,813
Public employees retirement system (PERS)	19,574	19,296
Workers' compensation	363	344
Professional services:		
Legal	41,193	24,496
Accounting & auditing	3,683	5,947
Bank service charges	110	97
Consultanting	6,454	8,132
Rent	20,922	19,301
Telephone	4,302	3,648
Insurance	34,729	34,284
Supplies & materials	2,588	6,232
Professional dues & training	1,980	1,544
Repair & maintenance	-	36,105
Miscellaneous	1,117	1,043
Total cash disbursements	<u>312,220</u>	<u>324,913</u>
Total cash receipts under cash disbursements	(94,019)	(204,114)
Cash and investments, January 1	<u>874,079</u>	<u>1,078,193</u>
Cash and investments, December 31	<u>\$ 780,060</u>	<u>\$ 874,079</u>
Reserve for encumbrances, December 31	<u>\$ -</u>	<u>\$ -</u>

**MILLCREEK VALLEY CONSERVANCY DISTRICT
HAMILTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

1. Summary of significant accounting policies

A. Description of the entity

The Millcreek Valley Conservancy District, Hamilton County, Ohio (the District), is a body corporate and politic interest 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 appointed by the Court of Common Pleas. The District provides conservation and flood control to the Millcreek Valley area.

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. Cash and investments

Investments are comprised of certificates of deposit. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

D. Budgetary process

The Ohio Revised Code requires the District to budget annually.

a. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year, if any. The Board of

Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

b. Estimated resources

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

c. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District did not use the encumbrance method of accounting. However, the District had no material encumbrances at December 31, 2004 and 2003.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

E. Property, plant and equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. Cash and investments

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and deposits at December 31 follows:

	<u>2004</u>	<u>2003</u>
Demand deposits	\$ 179,680	\$ 124,079
Certificates of deposits	<u>600,380</u>	<u>750,000</u>
Total deposits	<u>780,060</u>	<u>874,079</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.

3. Budgetary activity

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
\$ 20,400	\$ 218,201	\$ 197,801

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
\$ 389,800	\$ 312,220	(\$ 77,580)

2003 Budgeted vs. Actual Receipts

<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
\$ 445,000	\$ 120,799	(\$ 324,201)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
\$ 383,500	\$ 324,913	(\$ 58,587)

4. Retirement systems

The District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-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 and 2003, PERS member employees contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2004. The District has paid all contributions required through December 31, 2004.

5. Risk management

The District has obtained commercial insurance for the following risks:

- i. Comprehensive property and generally liability;
- ii. Errors and omissions.

The District also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

6. Other significant events

Currently, Millcreek Valley Conservancy District does not have the funds to continue operating in the same manner as in prior years. Funds are expected to be depleted by April 2006. At that time, the options for the District are:

- i. Dissolve and the records, assets and agreements will be dispersed to the various communities bordering the Millcreek.
- ii. Dissolve and the records, assets and agreements will be dispersed to Hamilton County.
- iii. Operate as a "skeleton" entity preserving the asset ownership and agreements until such time as the Millcreek Project can be restarted. This option depends on minimal funding being obtained to operate as a skeleton entity.

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



To the Board of Directors
Millcreek Valley Conservancy District
Hamilton County

We have audited the accompanying financial statements of the Millcreek Valley Conservancy District, Hamilton County, (the District), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 3, 2005, wherein we noted that the District prepared its financial statements using accounting principles the Auditor of State established 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. 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 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 internal control over financial reporting and its operations that we consider to material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 or other matters that are required to be reported under *Government Audit Standards* which are described in the accompanying schedule of findings and questioned costs as items #2004-001 and #2004-002.

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This report is intended solely for the information and use of the management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, consisting of the letters 'C', 'S', and 'A' in a stylized, cursive font.

October 3, 2005

**MILLCREEK VALLEY CONSERVANCY DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2004 AND 2003**

FINDING NUMBER 2004-001

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Directors may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars [\$3,000 as of 4/7/03], the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Directors, if such expenditure is otherwise valid.

Contrary to the above requirements, in 2004 and 2003, the District failed to obtain the certification of the availability of funds from the Fiscal Officer prior to the invoice date for all the expenditures tested, and neither of the two exceptions provided above were utilized.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Efforts should be made by the District to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend the District obtain approved purchases orders, which contain the Fiscal Officer's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

No corrective action plan is needed as the District has corrected this finding for the year to be ended December 31, 2005.

FINDING NUMBER 2004-002

Ohio Rev. Code, Section 5705.28 (B)(2)(a), states that on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

The operating budget for the year ended December 31, 2004 was presented to the Board in December 2003. The operating budget for the year ended December 31, 2003 was presented to the Board in December 2002.

No corrective action plan is needed as the District has corrected this finding for the year to be ended December 31, 2005.

**MILLCREEK VALLEY CONSERVANCY DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid</u>
2002-001	Noncompliance – Improper approval of contracts by not attaching certificate of fiscal officer.	No	Repeated - #2004-001 No corrective action plan needed as the District corrected this finding for the year to be ended December 31, 2005
2002-002	Noncompliance – Not properly encumbering.	No	Repeated - #2004-002 No corrective action plan needed as the District corrected this finding for the year to be ended December 31, 2005



**Auditor of State
Betty Montgomery**

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MILLCREEK VALLEY CONSERVANCY DISTRICT

HAMILTON 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
DECEMBER 13, 2005**