



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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, 2001. 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 of the District as of December 31, 2001, 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 4, 2002, 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.

This report is intended solely for the information and use of management, the Board of Directors 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, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

September 4, 2002

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Assessments	\$3,618,035	\$1,063,344	\$824,708	\$73,111	\$5,579,198
Investment Income	417,416	235,940		649,731	1,303,087
Land Leases	37,023				37,023
Intergovernmental		855,413			855,413
Reimbursements	69,093	41,315		260	110,668
Overhead Charges	31,619				31,619
Total Cash Receipts	4,173,186	2,196,012	824,708	723,102	7,917,008
Cash Disbursements:					
Personnel Services	1,957,616	298,680			2,256,296
Operating	1,451,372	1,652,526			3,103,898
Equipment	950	71,732			72,682
Technology	15,944	24,151			40,095
Equipment & Machinery	482,952	327			483,279
Repairs & Maintenance	257,362				257,362
Dam Safety				705,184	705,184
Debt Service:					
Principal			340,000		340,000
Interest			492,500		492,500
Total Cash Disbursements:	4,166,196	2,047,416	832,500	705,184	7,751,296
Excess Receipts Over/(Under) Disbursements	6,990	148,596	(7,792)	17,918	165,712
Other Financing Receipts/(Disbursements):					
Sale of Land	20,000				20,000
Sale of Equipment	66,071				66,071
Transfers In		395,621	198,882	1,022,900	1,617,403
Transfers Out	(22,778)	(22,843)		(1,571,782)	(1,617,403)
Total other financing receipts/(disbursements)	63,293	372,778	198,882	(548,882)	86,071
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	70,283	521,374	191,090	(530,964)	251,783
Cash Balance, January 1	8,779,044	5,113,581	(146,646)	8,236,920	21,982,899
Cash Balance, December 31	<u>\$8,849,327</u>	<u>\$5,634,955</u>	<u>\$44,444</u>	<u>\$7,705,956</u>	<u>\$22,234,682</u>

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 TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>		<u>Total</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Memorandum Only</u>
Operating Cash Receipts:			
Investment Income	\$72	\$37	\$109
Overhead Charges		1,073,619	1,073,619
Reimbursements		120	120
		<u> </u>	<u> </u>
Total Operating Cash Receipts	72	1,073,776	1,073,848
Operating Cash Disbursements:			
Personnel Services		795,952	795,952
Operating Costs	35,752	247,508	283,260
Equipment		435	435
Technology		56,157	56,157
		<u> </u>	<u> </u>
Total Operating Cash Disbursements	<u>35,752</u>	<u>1,100,052</u>	<u>1,135,804</u>
Operating Income/(Loss)	(35,680)	(26,276)	(61,956)
Fund Cash Balance, January 1,	<u>35,680</u>	<u>31,438</u>	<u>67,118</u>
Fund Cash Balance, December 31,	<u><u>\$0</u></u>	<u><u>\$5,162</u></u>	<u><u>\$5,162</u></u>

See accompanying notes to the financial statements.

**MIAMI CONSERVACY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

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 appointed by the Court of Common Pleas. The District provides conservation and flood control to 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

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

River Corridor Improvement - This fund collects assessments for maintenance of bikeways, dam, bridges, and walkways.

Acquifer Preservation - This fund collects assessments to preserve ground water run-off.

3. Debt Service Fund

This fund (Dam Safety) is used to accumulate resources for the payment of note indebtedness.

**MIAMI CONSERVACY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

4. Capital Project Fund

This fund (Dam Safety and Rehabilitation) is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

5. Enterprise Fund

This fund accounts for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District's only enterprise fund is the Franklin Wastewater Treatment Facility. The City of Franklin, under agreement with the Conservancy District, operates and maintains the facility.

6. Internal Service Fund

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:

Overhead Allocation Fund - this fund is used to accumulate administrative and managerial expenses and is 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 Notes and repurchase agreements 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, 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 must annually approve appropriation measures and subsequent amendments.

**MIAMI CONSERVACY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled.

A summary of 2001 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:

	2001
Demand deposits	\$5,553,710
Total deposits	5,553,710
U.S. Treasury Notes	11,610,800
Money Market	3,559,298
Repurchase agreement	1,516,036
Total investments	16,686,134
Total deposits and investments	\$22,239,844

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Authority, or (3) 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 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 CONSERVACY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,103,000	\$4,259,257	(\$843,743)
Special Revenue	1,444,761	2,591,633	\$1,146,872
Debt Service	775,014	1,023,590	\$248,576
Capital Projects	0	1,746,002	\$1,746,002
Enterprise	0	72	\$72
Internal Service	1,107,388	1,073,776	(33,612)
Total	\$8,430,163	\$10,694,330	\$2,264,167

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,521,271	\$4,188,974	\$2,332,297
Special Revenue	2,537,856	2,070,259	467,597
Debt Service	832,500	832,500	0
Capital Projects	5,002,788	2,276,966	2,725,822
Enterprise	35,752	35,752	0
Internal Service	1,161,939	1,100,052	61,887
Total	\$16,092,106	\$10,504,503	\$5,587,603

At December 31, 2001, Other Subdistricts and Additions fund (Special Revenue Fund Type) had appropriations in excess of the amount certified as available by the board.

4. DEBT

Debt outstanding at December 31, 2001:

	Principal	Interest Rate
Bond Anticipation Note Series 1999	\$4,660,000	4.64%
Bond Anticipation Note Series 2000	5,000,000	5.50%
Total	\$9,660,000	

The District issued five million dollar notes in 1999 and 2000 for the purpose of construction costs associated with mitigating seepage and underseepage of five dams. The notes are uncollateralized.

**MIAMI CONSERVACY DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

4. DEBT (Continued)

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

Year ending December 31:	Bond Anticipation Notes 99	Bond Anticipation Notes 00
2002	\$ 574,112	\$ 260,500
2003	358,104	420,500
2004	387,925	431,332
2005	389,538	432,605
2006	385,738	433,227
2007 - 2019	5,356,736	6,279,648
Total	\$ 7,452,153	\$ 8,257,812

5. RETIREMENT SYSTEM

The District's full-time 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 2001 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, 2001.

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 and vision coverage to full-time employees through a private carrier. Dental coverage is provided through a self insurance plan. The District did not obtain an actuary report of dental claims payments and required reserves as required by Ohio Rev. Code Section 9.833.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL 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 accompanying financial statements of the Miami Conservancy District, Montgomery County, (the District) as of and for the year ended December 31, 2001, and have issued our report thereon dated September 4, 2002. 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 performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-20357-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated September 4, 2002.

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 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated September 4, 2002.

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

This report is intended solely for the information and use of 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

September 4, 2002

**MIAMI CONSERVANCY DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001**

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

FINDING NUMBER 2001-20357-001

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund should not exceed the total estimated revenue. At December 31, 2001, Other Subdistricts and Additions fund (Special Revenue Fund Type) had appropriations in excess of the amount certified as available by the board. Total estimated resources were \$583,780 and total appropriations were \$1,129,682 which caused a variance of \$545,852.

The District should monitor appropriations and estimated revenue 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.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
OCTOBER 8, 2002**