



**Auditor of State
Betty Montgomery**

MILLCREEK VALLEY CONSERVANCY DISTRICT
HAMILTON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Millcreek Valley Conservancy District
Hamilton County
105 East Fourth Street
Suite 1310
Cincinnati, Ohio 45202

To the Board of Directors:

We have audited the accompanying financial statements of the Millcreek Valley Conservancy District, Hamilton County, Ohio (the District), as of and for the years ended December 31, 2002 and 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 cash balances of the District as of December 31, 2002 and 2001, and its 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 24, 2003 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 Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 24, 2003

**MILLCREEK VALLEY CONSERVANCY DISTRICT
HAMILTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2001**

	2002	2001
Cash Receipts:		
Rent	\$7,950	\$8,997
Intergovernmental	329,000	712,009
Interest	18,895	33,791
	355,845	754,797
Total Cash Receipts		
Cash Disbursements:		
Salaries	165,240	159,472
Fringe Benefits	19,143	16,169
PERS	21,410	23,777
Workers' Compensation	254	286
Professional Services:		
Legal	24,275	19,567
Accounting & auditing	3,547	6,133
Bank Service Charges	228	925
Consultanting	24,000	36,000
Rent	21,557	16,512
Telephone	3,300	4,657
Insurance	28,217	20,218
Supplies & Materials	3,790	5,319
Professional dues & training	3,034	3,088
Repair & Maintenance	16,873	59,540
Tree Assessment	1,094	835
Miscellaneous	48	
	336,010	372,498
Total Cash Disbursements		
Total Cash Receipts Over Cash Disbursements	19,835	382,299
Cash Balances, January 1	1,058,358	676,059
Cash Balances, December 31	\$1,078,193	\$1,058,358

The notes to the financial statements are an integral part of this statement.

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**MILLCREEK VALLEY CONSERVANCY DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

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 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

U.S. Treasury Bills are valued at cost.

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

D. Budgetary Process

Recent changes to the Ohio Revised Code require the District to adopt an annual budget commencing in 2002 and 2001.

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. Appropriations lapse at year end.

2. Estimated Resources

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

**MILLCREEK VALLEY CONSERVANCY DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District did not use the encumbrance method of accounting. However, the District had no material outstanding encumbrances at December 31, 2002 and 2001.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

2. CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$133,193	\$80,358
Certificate of Deposits	945,000	620,000
Total deposits	1,078,193	700,358
US Treasury Bill	0	358,000
Total investments	0	358,000
Total deposits and investments	\$1,078,193	\$1,058,358

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 Bills 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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$0	\$355,845	\$355,845

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$491,000	\$336,010	\$154,990

**MILLCREEK VALLEY CONSERVANCY DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	<u>\$0</u>	<u>\$754,797</u>	<u>\$754,797</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	<u>\$470,000</u>	<u>\$372,498</u>	<u>\$97,502</u>

4. 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 post-retirement 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. PERS members contributed 8.5% of their wages. The District contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The District has paid all contributions required through December 31, 2002.

5. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- 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

In 1998, Congress approved the Corp of Engineer and Millcreek Valley Conservancy District to continue with a revaluation project. The revaluation study has been completed, however the District is still waiting on approval of the project.

Management feels that this project will continue to move forward once the plans are finalized. They have applied for funding from the State of Ohio, and Hamilton County was awarded \$142,857 in June of 2001.

If additional funding is not approved by the State, the District plans to fund the project in the following manner:

**MILLCREEK VALLEY CONSERVANCY DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. OTHER SIGNIFICANT EVENTS

- Maintenance (and operations) will be funded by annual contributions from benefited communities;
- State funding will be sought out for capital cost; and
- Other State funding opportunities will be pursued.



**Auditor of State
Betty Montgomery**

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

Millcreek Valley Conservancy District
Hamilton County
105 East Fourth Street
Suite 1310
Cincinnati, Ohio 45202

To the Board of Directors:

We have audited the financial statements of the Millcreek Valley Conservancy District, Hamilton County, Ohio (the District), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated September 24, 2003. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 and 2002-002.

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 24, 2003.

This report is intended 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 24, 2003

**MILLCREEK VALLEY CONSERVANCY DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

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, 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.

FINDING NUMBER 2002-002

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 District was presented to the Board in October of 2002 and 2001. Also, these budgets did not include estimated revenues for each year. The District should include estimated revenues in their operating budget and present it to the Board for approval by the required date.

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**MILLCREEK VALLEY CONSERVANCY DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-20431-001	Ohio Rev. Code Section 5705.41(B), appropriating expenditures before they are made	Yes	
2000-20431-002	Ohio Rev. Code Section 5705.41(D), proper encumbering of expenditure transactions	No	This issue was repeated in Finding 2002-001.



**Auditor of State
Betty Montgomery**

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800-282-0370

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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
NOVEMBER 6, 2003**