

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TRI-COUNTY CONSERVANCY DISTRICT
MORGAN COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
01/14/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	David K. Pasotti	01-01-06 to 12-31-08
Chairman of the Board of Directors	Timothy J. Shrout	01-01-06 to 12-31-08



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TRI-COUNTY CONSERVANCY
DISTRICT, MORGAN COUNTY, INDIANA

We have examined the financial information presented herein of the Tri-County Conservancy District (District), for the period of January 1, 2006 to December 31, 2007. The District's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the District for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 17, 2008

TRI-COUNTY CONSERVANCY DISTRICT
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 ALL PROPRIETARY FUND TYPES
 As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments <u>01-01-06</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-06</u>
Proprietary Funds:				
Water Utility - Operating	\$ 16,925	\$ 494,260	\$ 497,267	\$ 13,918
Wastewater Utility - Operating	<u>895,658</u>	<u>1,725,172</u>	<u>1,652,539</u>	<u>968,291</u>
Totals	<u>\$ 912,583</u>	<u>\$ 2,219,432</u>	<u>\$ 2,149,806</u>	<u>\$ 982,209</u>

	Cash and Investments <u>01-01-07</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-07</u>
Proprietary Funds:				
Water Utility - Operating	\$ 13,918	\$ 605,904	\$ 612,461	\$ 7,361
Wastewater Utility - Operating	<u>968,291</u>	<u>1,772,175</u>	<u>2,066,617</u>	<u>673,849</u>
Totals	<u>\$ 982,209</u>	<u>\$ 2,378,079</u>	<u>\$ 2,679,078</u>	<u>\$ 681,210</u>

The accompanying notes are an integral part of the financial information.

TRI-COUNTY CONSERVANCY DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides the following services: collection, treatment and disposal of sewage and other liquid waste; water supply, including treatment and distribution for domestic, industrial and public use; and development of forest wildlife areas, ponds and recreational facilities in connection with beneficial water management. Water services are provided only to customers in Morgan County.

Note 2. Fund Accounting

The District uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Exceptional Benefit Assessments

Exceptional benefit assessments are levied on the following subdivisions with the Conservancy District commonly known as Heartland Crossing: The Settlement, Section 1; The Sanctuary, Sections 1 and 2; The Villas, Sections 1 and 2; The Landings, Sections 1 and 2; and The Mission, Sections 1 and 2. The assessment was for \$2,300 per lot plus interest at the rate of 7.5% payable in equal annual amounts of \$222.50 per lot per year for twenty years beginning in 1998. Exceptional benefits assessments levied are collected by the Morgan County Treasurer and are distributed to the Conservancy District in June and December. Assessments may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the District to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Subsequent Event

The District issued Special Program Bonds series 2008 refunding bonds. The 2008 bonds were issued for \$10,500,000 and were used to refund the 1997 Wastewater Project Revenue Bonds and the 2002 District Works Improvement Revenue Bonds. The principal and interest requirements shown in the Schedule of Long-Term Debt were included in the 2008 refunding Bonds.

TRI-COUNTY CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For the Year Ended December 31, 2007

Capital assets are reported at actual cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Total</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Capital assets, at cost			
Land and Land Rights	1,171,118	-	1,171,118
Buildings	281,263	-	281,263
Improvements other than buildings	12,519,964	885,503	11,634,460
Machinery and equipment	63,099	2,910	60,189
	<u>14,035,444</u>	<u>888,413</u>	<u>13,147,031</u>
Total Utility capital assets			

TRI-COUNTY CONSERVANCY DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater Utility: Revenue bonds	9,795,000	775,000
Total Wastewater Utility debt	\$ 9,795,000	\$ 775,000

TRI-COUNTY CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

There was no formal salary resolution approved for the District employees.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter14).

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

The Financial Clerk did not sign the claim forms. Also, the claims were not signed to indicate receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

TRI-COUNTY CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONTRACTS

The District receives professional legal and engineering services but does not have formal written contracts with the professionals.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PUBLIC RECORDS RETENTION

The District used the Accounts Payable Voucher Registers (Form 364) but many of the original signed Accounts Payable Voucher Registers used during the examination period were not available for review. The District did provide unsigned copies of the missing registers for examination.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 12)

TRI-COUNTY CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on December 17, 2008, with David K. Pasotti, Board member and Financial Clerk; David N. Smith, Board member; and Rebecca Devoe Brown, Contractual Accountant. The officials concurred with our findings.