

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

EXAMINATION REPORT
OF
CORDRY SWEETWATER CONSERVANCY DISTRICT
BROWN 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	Martha J. Anderson	01-01-06 to 12-31-08
Chairman of the Board	Tom Daseler Tom Dziennik	01-01-06 to 12-31-07 01-01-08 to 12-31-08



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CORDRY SWEETWATER CONSERVANCY
DISTRICT, BROWN COUNTY, INDIANA

We have examined the financial information presented herein of the Cordry Sweetwater 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 Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

December 18, 2008

CORDRY SWEETWATER CONSERVANCY DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 141,985	\$ 1,954,109	\$ 1,638,535	\$ 457,559
Holding Tank	11,649	510	-	12,159
Roads	6,812	41,135	46,859	1,088
Proprietary Funds:				
Water Operating	63,806	509,134	475,879	97,061
Special Water Works	12,592	1,152	12,454	1,290
Bond and Interest	95,320	57,328	58,600	94,048
Fiduciary Fund:				
Payroll Withholding	-	100,756	100,756	-
Totals	<u>\$ 332,164</u>	<u>\$ 2,664,124</u>	<u>\$ 2,333,083</u>	<u>\$ 663,205</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 457,559	\$ 1,131,492	\$ 1,382,406	\$ 206,645
Holding Tank	12,159	594	-	12,753
Roads	1,088	93,361	90,140	4,309
Proprietary Funds:				
Water Operating	97,061	453,608	452,416	98,253
Special Water Works	1,290	2,127	-	3,417
Bond and Interest	94,048	50,515	55,209	89,354
Fiduciary Fund:				
Payroll Withholding	-	113,529	113,529	-
Totals	<u>\$ 663,205</u>	<u>\$ 1,845,226</u>	<u>\$ 2,093,700</u>	<u>\$ 414,731</u>

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

CORDRY SWEETWATER 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: public safety, water, culture and recreation, and general administrative services.

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. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the District in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. Brown County is behind in billing and collecting due to reassessment problems. Taxes for 2003 payable in 2004 were not settled until 2006. Taxes for 2004 payable in 2005 had not been settled as of December 31, 2007.

Note 5. 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.

CORDRY SWEETWATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The District contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the District authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

The District has borrowed \$460,000 as of December 31, 2008, on a line of credit.

Also, the District has borrowed \$204,273 as of December 18, 2008, for various expenses related to the natural disasters (flood and tornado) during the summer of 2008.

Note 8. Water Utility

The Water Utility of the Cordry Sweetwater Conservancy District was audited in 2006 by an Independent Public Accountant. The financial activity of the Utility is included in this report. The Independent Accountant Report is available at the District office.

CORDRY SWEETWATER CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Conservancy District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Backhoe Loader (split with Water Utility)	\$ 21,395	\$ 6,794
Total governmental activities debt	<u>\$ 21,395</u>	<u>\$ 6,794</u>
Business-type Activities:		
Water Utility		
Capital leases:		
Backhoe Loader (split with District)	\$ 21,469	\$ 6,798
Revenue bonds:		
1972 Water Revenue	115,000	35,000
1997 Water Revenue	<u>88,000</u>	<u>20,800</u>
Total Water Utility	<u>224,469</u>	<u>62,598</u>
Total business-type activities debt:	<u>\$ 224,469</u>	<u>\$ 62,598</u>

CORDRY SWEETWATER CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

CONSERVANCY DISTRICT PLAN

Indiana Code 14-33-1-1 states, in part:

"(a) A conservancy district may be established for any of the following purposes:

- (1) Flood prevention and control.
- (2) Improving drainage.
- (3) Providing for irrigation.
- (4) Providing water supply, including treatment and distribution, for domestic, industrial, and public use.
- (5) Providing for the collection, treatment, and disposal of sewage and other liquid wastes.
- (6) Developing forests, wildlife areas, parks, and recreational facilities if feasible in connection with beneficial water management.
- (7) Preventing the loss of topsoil from injurious water erosion.
- (8) Storage of water for augmentation of stream flow.
- (9) Operation, maintenance, and improvement of:
 - (A) a work of improvement for water based recreational purposes; or
 - (B) other work of improvement that could have been built for any other purpose authorized by this section."

The Cordry Sweetwater Conservancy District was established on June 27, 1959, by the Brown Circuit Court. The Judge's order states: "The Conservancy District shall be established for the following purposes: (1) Providing water supply, including treatment and distribution for domestic, industrial and public use; (2) Providing for the collection, treatment, and disposal of sewage and other liquid wastes produced within the district; and (3) Developing forests, wildlife areas, and park and recreational facilities where feasible in connection with beneficial water management."

The "final plan" adopted by the District in 1961, in section 1.16, entitled "Order In Which Implementation In This Final Plan Shall Proceed," states: "The roadways, being necessary for the full recreational enjoyment of the area, will be improved and extended as the last of the implementation of this Final Plan."

On September 24, 1971, an amendment to the final plan was ordered by the Circuit Court Judge. This amendment allowed for the creation of a "Board of Appraisers of the District" and set forth a process by which lots would be assessed for "the purpose of maintaining the roads and drives located in and around the District, and owned by the District . . ." Among the details of this process detailed in the amendment is the following statement: "No assessment for road maintenance may be made under the provisions of this instrument for more than Two (\$2.00) Dollars in any one month against any one (1) lot or unit of adjoining lots." The amendment also states that the assessment will be due and payable on April 1 of each year at the office of the Conservancy District and specifies the process by which delinquent assessments may be collected.

CORDRY SWEETWATER CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

In 1974, the Conservancy District filed a petition to amend the District plan to include rules and regulations affecting land use, planning, building use and size, business, trade, animals, fencing, building codes, sewage, roads, building permits, recording of deeds and contracts, fishing, use of lakes, and noise, among other rules and regulations.

A "Brief in Opposition to Amendment to Conservancy District Final Plan" was filed on January 31, 1975, in the Brown Circuit Court.

On February 21, 1975, the Brown Circuit Court found, in part:

" . . . that there is no statutory authorization in the conservancy district act, Burns Indiana Statutes Annotated, Code Edition, 19-3-2-1 and subsequent sections, for the authority requested in the District's amended final plan, except the following amendments which are approved, Article 5, Sections a, b, c, and e; Article 8, and Article 9."

The approved amendments, or sections of amendments, deal with issues involving rules governing the use of roads and right-of-ways (Article V, Sections a, b, c and e); the use of lakes (Article VIII); and swimming rules (Article IX).

Among the several amendments not approved by the Circuit Court was one providing for a "Deputy Sheriff" appointed by the Sheriff of Brown County and paid by the Conservancy District, to enforce the laws of the State of Indiana, the ordinances of Brown County and the rules and regulations of the Conservancy District regarding the use of land, roads, lakes, and parks.

On June 22, 1987, in response to the District's petition for an order clarifying the status of the "Cordry Sweetwater Conservancy District Amended Final District Plan," the Circuit Court confirmed the order dated February 21, 1975, which only approved the amendments contained in Article 5, Sections a, b, c, and e; Article 8, and Article 9.

Contrary to the purposes allowed for in the Amended Final District Plan, the District employs a staff of security officers, appointed by the Brown County Sheriff, for the purpose of enforcing the laws of the State of Indiana, the ordinance of Brown County, and the rules and regulations of the District regarding the use of land, roads, lakes, and parks.

DEPOSITS

In several instances, receipts were deposited later than the next business day. There were instances where the money was deposited up to four days late. This was also a comment in the prior Report B28006.

Indiana Code 5-13-6-1(c) states in part: "All local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

CORDRY SWEETWATER CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

RECEIPT ISSUANCE

Receipts were issued for some, but not all, collections. However, posting of collections, even for those collections that had been receipted, were made from the bank validated deposit slips.

In 2007, the District converted their financial ledger from manual records to computerized records. According to the Financial Clerk, the software does not allow for the manually written receipt numbers to be entered into the system. As a result, there is no clear audit trail from the manually written receipts to the amounts posted in the computerized records.

A receipt is to be issued for each cash collection. The duplicate serves as a posting medium to the Ledger of Receipts, Disbursements and Balances, Form 358. (Special Districts Manual Chapter 21)

ORDINANCES AND RESOLUTIONS

A resolution to approve salaries for the calendar year 2007 was not presented. Officials did find a proposed resolution; however, there was no record of the resolution or other documentation of Board approval in the board minutes.

We recommended that the Board retroactively approve the 2007 salary resolution.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Special Districts Manual, Chapter 10)

ERRORS ON CLAIMS

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

A claim for \$37,000 to Milestone Contractors, Inc., paid with check no. 1024, was not found on a claim docket approved by the Board.

Claims or invoices did not always have evidence to support receipt of goods or services. Most claims were signed by the Financial Clerk, who would not usually have knowledge of the actual receipt of goods or services. The employee who ordered the goods or services should sign the claim form.

The Financial Clerk should audit and certify before payment that the invoice or bill is true and correct, which could be based in part upon another employee's signature that the goods or services had been received.

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:

CORDRY SWEETWATER CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient over the payment of accounts payable vouchers. As an example, the following situation was noted during the examination period:

A check dated February 26, 2007, in the amount of \$26,200 was issued to Milestone Contractors, Inc. Attached to the claim voucher was a proposal for the paving project, dated February 20, 2007. The check was returned by Milestone, since the District's usual procedure was to pay upon completion of the project.

The Financial Clerk had been in the practice of signing the certification on the claim voucher that the ". . . hereby certify that the attached invoice(s), or bill(s), is (are) true and correct and that the materials or services itemized thereon for which charge is made were ordered and received except for . . ." However, she was not aware of the fact that the paving project had not yet been started. This certification should have been made by the employee who was involved with the project.

The claim was also signed by Joe Quackenbush, Administrative Assistant to the Board. However, he was co-signing the checks and his signature on the claim was only to signify that process, and did not involve a review of the actual claim. The above certification should have been made by whoever ordered and received the goods or services.

Also, there were several instances of prenumbered checks bearing the same number. In one or more instance, this was a case of the older manually issued checks and then new checks being printed for the new software. In another instance, the Financial Clerk indicated that there was a vendor who printed the wrong check numbers. As a result, there could be incorrect information available since the computer software did not recognize that there was more than one check entered under the same numbers, in more than one instance.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CORDRY SWEETWATER CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

As reported in the prior report (B28006), a list of employees was not certified to the County Treasurer. Employee lists should have been filed June 1 and December 1 of 2006 and 2007. Only one list was filed on November 14, 2007.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

PRESCRIBED FORMS

The following prescribed or approved form was not in use:

Investment Register, Form 350

All governmental units are required by law to use the forms prescribed by this department; however, if it is desirable to use a different form or to have a prescribed form modified to conform for computer applications, a letter and three copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval. (Special Districts Manual, Chapter 10)

ANNUAL REPORT

An annual report for 2006 and 2007 was not submitted to the State Board of Accounts. The District did prepare an annual report for the Brown County Circuit Court. The annual report for the Court could be modified to include the same information as the prescribed annual report, and submitted to the State Board of Accounts.

Indiana Code 5-11-1-4(a) concerning annual reports, states in part: ". . . these reports shall be prepared, verified, and filed with the state examiner within thirty (30) days after the close of each fiscal year."

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2007	<u>\$ 6,363</u>

The overdrawn appropriation was a result of an encumbrance that was carried from the budget year 2006 into 2007. Also, not all encumbrances were supported by a contract or purchase order.

CORDRY SWEETWATER CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CAPITAL ASSET RECORDS

Information presented for examination did not indicate a capital asset policy or record of capital assets using Form 369.

Every governmental unit should have a complete inventory of all fixed assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable General Fixed Asset Account Group Form. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 16)

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 16)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were limited to the preliminary reconciliations done through the accounting software. Those reconciliations are simply reconciling the monthly bank and book transactions. The final step of actually reconciling the bank account to the book balances was not completed.

During our examination, we did complete the December 31, 2006 and 2007, reconciliations. There were no differences noted. A copy of our reconciliations was provided to the Financial Clerk to use as an example in preparing the monthly bank reconciliations.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

INTERNAL CONTROLS - MARINA

A deposit for the Marina Gas Sales on May 28, 2006, was short by \$168.33. The amount that should have been deposited was \$1,072.71 while the actual deposit was for only \$904.38.

Based on a discussion with the Financial Clerk, a summer part-time employee was in charge of the Marina for that day and they did not fully understand the process of selling and recording of gas. The employee sold gas for far less than the sales price. This action resulted in less money being received than what should have been for the number of gallons sold, which resulted in the deposit being short by this amount.

However, there was no official written record of this incident. A written document should have been made of this incident and retained for examination purposes.

CORDRY SWEETWATER CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OFFICIAL BOND

Crime policies for District employees were not filed in the Office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

CONDITION OF RECORDS - FUND BALANCE

Financial records presented for examination were incomplete and not reflective of the activity of the Roads Fund. On December 29, 2006, check 1023 in the amount of \$17,000 was posted to the Roads Fund. As of December 31, 2006, the balance in the Roads Fund was \$988.95. However, as of January 1, 2007, the book balance in the Roads Fund was incorrectly report as \$17,998.95.

The manual ledger was converted to a computerized ledger as of January 1, 2007.

The correction has been made to the January 1, 2007, Roads Fund balance, on the Schedules of Receipts, Disbursements, and Cash and Investment Balances.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CORDRY SWEETWATER CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2008, with Martha J. Anderson, Financial Clerk; and Tom Dziennik, Chairman of the Board.