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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

STUCKER FORK CONSERVANCY DISTRICT

SCOTT COUNTY, INDIANA

January 1, 2009 to December 31, 2010



**FILED**  
12/13/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Executive Officer	Larry McIntosh	01-01-09 to 12-31-11
Financial Clerk	Lisa Jackson	01-01-09 to 12-31-11
Utility Superintendent	Randy Needler	01-01-09 to 12-31-11
President of the Board	John Bard	01-01-09 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE STUCKER FORK CONSERVANCY  
DISTRICT, SCOTT COUNTY, INDIANA

We have examined the financial statements of the Stucker Fork Conservancy District (District), for the period of January 1, 2009 to December 31, 2010. The District's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the District for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

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 financial statements. It has not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District's management, Board of Directors and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 14, 2011

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## FINANCIAL STATEMENTS

The financial statements and accompanying notes were prepared by management of the District. The financial statements and notes are presented as intended by the District.

STUCKER FORK CONSERVANCY DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 111,114	\$ 167,340	\$ 54,931	\$ 223,523
Rainy Day	111,389	16,874	-	128,263
Cumulative Maintenance	37,691	3,683	-	41,374
Prepaid Flood	9,401	287	-	9,688
Agency - Payroll	297	1,673	1,478	492
Water - Meter Deposits	285,813	63,264	50,211	298,866
Water - Operating	4,138,377	4,306,322	5,127,243	3,317,456
Water - Bond And Interest	716,386	808,533	806,830	718,089
Water - Debt Service Reserve	692,336	177,685	-	870,021
Totals	<u>\$ 6,102,804</u>	<u>\$ 5,545,661</u>	<u>\$ 6,040,693</u>	<u>\$ 5,607,772</u>

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

STUCKER FORK CONSERVANCY DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 223,523	\$ 94,394	\$ 88,550	\$ 229,367
Rainy Day	128,263	1,788	-	130,051
Cumulative Maintenance	41,374	3,161	-	44,535
Prepaid Flood	9,688	145	-	9,833
Agency - Payroll	492	4,850	3,041	2,301
Water - Meter Deposits	298,866	150,816	142,823	306,859
Water - Operating	3,317,456	4,514,910	4,424,518	3,407,848
Water - Bond And Interest	718,089	894,777	1,067,438	545,428
Water - Debt Service Reserve	<u>870,021</u>	<u>79,618</u>	<u>-</u>	<u>949,639</u>
Totals	<u>\$ 5,607,772</u>	<u>\$ 5,744,459</u>	<u>\$ 5,726,370</u>	<u>\$ 5,625,861</u>

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

STUCKER FORK CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The District was established under the laws of the State of Indiana. The District operates under an appointed governing board.

The accompanying financial statements present the financial information for the District (primary government), and does not include financial information for any of the District's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the District (primary government).

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the District.

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

STUCKER FORK CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the District. It includes all expenditures for the reduction of the principal and interest of the District's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The District may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the District. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the District. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the District in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

STUCKER FORK CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the District submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the District in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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. Risk Management**

The District may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the District to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the District by recording as a disbursement and replacement items purchased.

STUCKER FORK CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 percent 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.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

No Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis are presented as supplementary information. For additional financial information, the District's Annual Reports can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the District which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the District. It is presented as intended by the District.

STUCKER FORK CONSERVANCY DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
General obligation bonds:		
1970 Structure Improvements	\$ 57,988	\$ 7,657
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Revenue Bonds of 1998	\$ 7,540,000	\$ 489,944
Waterworks Revenue Bonds of 2005	3,430,000	314,205
Total business-type activities debt:	\$ 10,970,000	\$ 804,149

STUCKER FORK CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS

***CAPITAL ASSET RECORDS (Applies to Water Utility)***

The District's Water Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the utility's capital assets are not available, and records classifying and summarizing the utility's capital assets are incomplete. Deletions or disposals of capital assets are not always recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

A similar comment was made in the prior Reports B31340 and B35425.

***BOARD MINUTES NOT PRESENTED FOR EXAMINATION (Applies to Board of Directors)***

The District provided minutes for all Board meetings for the years 2009 and 2010, except for the meeting dated December 21, 2009. Lisa Jackson, Financial Clerk, stated the former Secretary of the Board was contacted in an attempt to obtain the minutes for that meeting, but the Secretary did not submit the minutes to the District. As a result, no approved salary schedule, ordinance, or resolution for the year 2010 was presented for examination. Lisa Jackson, Financial Clerk, stated that the Board approved salaries for the year 2010 at the meeting held December 21, 2009.

Indiana Code 14-33-5-20 states in part: "The board shall do the following: . . . (5) Keep an accurate and complete record of all district proceedings and record and file all bonds and contracts, assuming responsibility for the custody and preservation of all papers and documents of the district."

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. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

***PAYROLL RECORDS (Applies to the Water Utility)***

The following conditions were noted during the examination of the payroll records of the District:

STUCKER FORK CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

1. Prescribed Form 99, Payroll Schedule and Voucher, was not in use to process the payroll for the Water Utility. The Financial Clerk prepares an Accounts Payable Voucher Register (Form 364) for each payroll period which is certified by her as the disbursing officer and approved by the governing board. However, there was no signature provided by the officer or employee authorized to approve employees' time for the payroll period.

Indiana Code 5-11-10-2(a) states in part: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services . . ."

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)

2. The time sheets presented for examination were not signed by the employees and, in some instances, not signed by the department head. The personnel policy of the District states: "Each time sheet must contain the hours started, stopped, lunch, and then signed at the end of each pay period. The pay sheet must also be reviewed and signed by the department head."

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

***CUSTOMER DEPOSIT REGISTER (Applies to Water Utility)***

The customer deposit register is a subsidiary record that identifies the deposit balances for each individual customer. The total deposits shown in the customer deposit register should agree with the cash and investment balance reported on the general ledger for the customer deposit fund at any point in time. The balance in the customer deposit register did not agree with the cash and investment balance in the general ledger at December 31, 2010, as shown in the following schedule:

Cash and Investment Balances	Amount
General Ledger Balance	\$ 306,858.96
Customer Deposit Register Balance	308,212.24
Variance	\$ (1,353.28)

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)

STUCKER FORK CONSERVANCY DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2011, with John Bard, President of the Board; Larry McIntosh, Chief Executive Officer; and Lisa Jackson, Financial Clerk. The officials concurred with our findings.