

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, 2008 to December 31, 2010



FILED
01/26/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Martha Anderson	01-01-08 to 12-31-11
President of the Board	Tom Dziennik	01-01-08 to 05-05-09
	Norman Noe	05-05-09 to 12-31-09
	Jerry Fenwick	01-01-10 to 06-21-11
	Larry Kolar	06-21-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 statements of the Cordry Sweetwater Conservancy District (District), for the period of January 1, 2008 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 a 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, 2008, 2009, and 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis for the years ended December 31, 2009 and 2010 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 financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them. Combining Schedules of Receipts, Disbursements, and Cash and Investments Balances – Regulatory Basis were not presented for the years ended December 31, 2008.

This report is intended solely for the information and use of the District's management, and 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

October 11, 2011

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FINANCIAL STATEMENTS

CORDRY SWEETWATER CONSERVANCY DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For The Year Ended December 31, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
General	\$ 206,645	\$ 1,284,065	\$ 1,357,817	\$ 132,892
Roads	4,309	40,712	15,630	29,391
Payroll Withholding	-	127,896	127,896	-
Water Utility Operating	203,777	490,196	459,612	234,361
Totals	<u>\$ 414,731</u>	<u>\$ 1,942,869</u>	<u>\$ 1,960,956</u>	<u>\$ 396,644</u>

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

CORDRY SWEETWATER 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	\$ 132,892	\$ 2,658,117	\$ 2,090,637	\$ 700,372
Roads	29,391	40,168	55,036	14,523
Payroll Withholding Funds	-	131,357	129,975	1,382
Water Utility Operating	234,361	559,257	425,403	368,215
Totals	<u>\$ 396,644</u>	<u>\$ 3,388,899</u>	<u>\$ 2,701,051</u>	<u>\$ 1,084,492</u>

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

CORDRY SWEETWATER 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	\$ 700,372	\$ 3,423,661	\$ 2,450,457	\$ 1,673,576
Roads	14,523	67,508	37,487	44,544
Payroll Withholding Funds	1,382	132,925	134,351	(44)
Water Utility Operating	368,215	516,009	507,846	376,378
Totals	<u>\$ 1,084,492</u>	<u>\$ 4,140,103</u>	<u>\$ 3,130,141</u>	<u>\$ 2,094,454</u>

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

CORDRY SWEETWATER 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.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax

CORDRY SWEETWATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

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.

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.

CORDRY SWEETWATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 or highway use taxes are received 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.

CORDRY SWEETWATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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:

CORDRY SWEETWATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

For additional financial information, the District's Annual Reports can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

CORDRY SWEETWATER CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	General	Roads	Payroll Withholding Funds	Water Utility Operating	Totals
Cash and investments - beginning	\$ 132,892	\$ 29,391	\$ -	\$ 234,361	\$ 396,644
Receipts:					
Taxes	1,853,597	40,168	-	-	1,893,765
Licenses and permits	5,628	-	-	-	5,628
Intergovernmental	36,581	-	-	-	36,581
Charges for services	46,319	-	-	-	46,319
Fines and forfeits	250	-	-	-	250
Utility fees	-	-	-	551,872	551,872
Other receipts	715,742	-	131,357	7,385	854,484
Total receipts	<u>2,658,117</u>	<u>40,168</u>	<u>131,357</u>	<u>559,257</u>	<u>3,388,899</u>
Disbursements:					
Personal services	718,108	-	-	-	718,108
Supplies	75,069	4,442	-	-	79,511
Other services and charges	658,636	77	-	-	658,713
Debt service - principal and interest	601,976	-	-	59,802	661,778
Utility operating expenses	36,848	50,000	-	365,601	452,449
Other disbursements	-	517	129,975	-	130,492
Total disbursements	<u>2,090,637</u>	<u>55,036</u>	<u>129,975</u>	<u>425,403</u>	<u>2,701,051</u>
Excess (deficiency) of receipts over disbursements	<u>567,480</u>	<u>(14,868)</u>	<u>1,382</u>	<u>133,854</u>	<u>687,848</u>
Cash and investments - ending	<u>\$ 700,372</u>	<u>\$ 14,523</u>	<u>\$ 1,382</u>	<u>\$ 368,215</u>	<u>\$ 1,084,492</u>

CORDRY SWEETWATER CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Roads	Payroll Withholding Funds	Water Utility Operating	Totals
Cash and investments - beginning	\$ 700,372	\$ 14,523	\$ 1,382	\$ 368,215	\$ 1,084,492
Receipts:					
Taxes	2,293,061	38,460	-	-	2,331,521
Licenses and permits	5,505	-	-	-	5,505
Intergovernmental	38,493	-	-	-	38,493
Charges for services	50,875	-	-	-	50,875
Fines and forfeits	3,278	-	-	-	3,278
Utility fees	-	-	-	464,808	464,808
Other receipts	1,032,449	29,048	132,925	51,201	1,245,623
Total receipts	<u>3,423,661</u>	<u>67,508</u>	<u>132,925</u>	<u>516,009</u>	<u>4,140,103</u>
Disbursements:					
Personal services	706,899	8,439	-	-	715,338
Supplies	99,161	-	-	-	99,161
Other services and charges	464,865	-	-	-	464,865
Debt service - principal and interest	1,160,430	-	-	56,415	1,216,845
Capital outlay	19,102	-	-	-	19,102
Utility operating expenses	-	-	-	93,605	93,605
Other disbursements	-	29,048	134,351	357,826	521,225
Total disbursements	<u>2,450,457</u>	<u>37,487</u>	<u>134,351</u>	<u>507,846</u>	<u>3,130,141</u>
Excess (deficiency) of receipts over disbursements	<u>973,204</u>	<u>30,021</u>	<u>(1,426)</u>	<u>8,163</u>	<u>1,009,962</u>
Cash and investments - ending	<u>\$ 1,673,576</u>	<u>\$ 44,544</u>	<u>\$ (44)</u>	<u>\$ 376,378</u>	<u>\$ 2,094,454</u>

CORDRY SWEETWATER CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 Decemeber 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Capital leases:		
Backhoe Loader	\$ 6,619	\$ 6,796
Revenue bonds:		
1972 Water Revenue	15,000	15,375
1997 Water Revenue	<u>38,000</u>	<u>19,740</u>
Total debt	<u>\$ 59,619</u>	<u>\$ 41,911</u>

CORDRY SWEETWATER CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the following funds. Ledger amounts did not reflect balances and activity for the following investments held by the unit: Sinking Fund CD, Water Meter CD, Water Utility CD, and Holding Tank CD.

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)

INTEREST ON INVESTMENTS

Interest earned on investments was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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 balance to the book balances was not done.

During our examination, in order to verify cash and investment balances, we completed the December 31, 2008, 2009, and 2010 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."

CAPITAL ASSET RECORDS

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

CORDRY SWEETWATER CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. 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)

DEPOSITS

During our review of 30 receipts, 15 receipts were not deposited timely.

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. . . ."

RECEIPT ISSUANCE

Receipts were not issued for marina gas sale collections. However, posting of collections, were made from the bank validated deposit slips.

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. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 21)

OFFICIAL BOND

Blanket Bond for District employees was 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. . . ."

CORDRY SWEETWATER CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2011, with Martha Anderson, Financial Clerk, and Larry Kolar, President of the Board.